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Fiscal Policy Should Spur Development

George Whitney Tells Morgan & Co. Shareholders Full Production and Wide Distribution Can Prevent Inflation or Deflation. Reports Slight Decrease in Net Earnings in 1945, Due to Special Payment Toward Past Service Pension Cost.

George Whitney, President of J. P. Morgan & Co., Inc., told the bank's stockholders on Jan. 16 that although, as the aftermath of war, the outlook at home and abroad "appears grim," the situation can be cleared up by full production and wide distribution of peacetime goods and by directing the fiscal policies of the nation toward growth and development, instead of repression.


George Whitney

"As the year 1945 closed and the new year opens," Mr. Whitney stated, "thankfulness for the

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Florida

Special section devoted to the State of Florida, with particular reference to the growing importance of industry in the State's economy, is included in this issue on pages 393 to 412.

Controls—A Bar to Expansion

By HAROLD G. MOULTON*
President, Brookings Institution, Washington

Dr. Moulton Points Out That Reconversion Affects Industries Unequally, and the Prevailing Confusion Over Wages, Costs and Prices Prevents the Application of a Permanent Policy for Adjustments. Advocates a Truce During 1946 Between Labor and Management and Asserts OPA's Controls Are Ineffective. Holds Price Control Is Essentially Profit Control, Since It Is Based on Costs Only, and That Without Price Control, a Rapid Expansion of Production Could Be a Practical Safeguard Against Price Inflation.

The immediate business outlook is without a parallel in our industrial history. Never were the underlying factors which make for great business activity stronger than now; but never were surface conditions so beclouded and confused. As we enter the post-war period it is clear that we possess the plant capacity, the labor personnel, the financial resources, and the technical knowledge and experience requisite for a period of great development. Moreover, the accumulated shortages of commodities and the abundant purchasing power available provide the necessary stimuli for business expansion. And yet as we stand poised between war and peace the


Harold G. Moulton

*An address by Dr. Moulton before the National Retail Dry Goods Association, New York City, Jan. 10, 1946.

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Index of Regular Features on page 436.

Monetary Manipulation

By THOMAS I. PARKINSON*
President, Equitable Life Insurance Co.

Asserting That Inflation Is Really Debasement of Currency, Dr. Parkinson Points Out the Vast Increase in Currency and Bank Deposits to $175 Billions. Lays Cause to Heavy Buying of Bonds by Banks. Holds Bank Deposits Arising From War Borrowing, Unlike Deposits Created by Industrial Loans, Are Not Liquidated and the Currency Reserve Arising Therefrom Persists and Causes a Money Plethora, Since the Money Survives Its Initial Use. Urges That Federal Reserve Cease Being a Tool of the Treasury. Advocates a Refunding Issue of 3% Bonds, and Abandonment of Low Interest Rate Policy.

In this day of book reviewing and fact finding and professional semantics, one has to be careful in dealing with so technical a subject as that which has been assigned to me. There are limitations to the value of "looking at the books" and to the accuracy of the so-called "facts." Looking at the books and hunting for the facts is not a panacea for the evils of the day. The books are not self-revealing and the facts are not easy to recognize. Both have to be observed accurately and interpreted wisely. Do not misunderstand me. I agree


T. I. Parkinson

*An address by Dr. Parkinson before the 274th General Session meeting of the National Industrial Conference Board, New York City, Jan. 17, 1946.

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Labor Inflation

By LEO WOLMAN*
Professor of Economics, Columbia University

Dr. Wolman, After Referring to the Inflationary Disasters of World War I, Points Out That Present Inflationary Tendencies Are Far Greater, Because of Heavier Goods Shortages and Pent Up Purchasing Power. Holds Labor Unrest and Prevailing Disputes Are Due Both to Over-All Organization of Workers and to Competition Among Rival National Labor Unions. Contends Government, Through Its "Double Talk" and Meddling, Adds Fuel to Fire and Urges That Industrial Leaders and Unions Settle Their Disputes Among Themselves. Says Present Strikes Will Be Hard to Settle and Wants Public Kept Informed of Evils of Inflation.

Of course you all know just as well as I do that at the moment there is a good deal to worry about in this country. How long it will last I don't know. It doesn't look as bright today as it might have a week ago. There is a good deal of trouble in the situation and it is the kind of trouble that doesn't clear up very easily. I don't think it does you any good to sit and worry about these things; I think you ought to spend your time trying to think through what is going on and clarify your minds. That is what I'm interested in, anyhow.


Prof. Leo Wolman

*An extemporaneous address by Dr. Wolman before the New York State Society of Certified Public Accountants, New York City, Jan. 21, 1946.

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10 Stock Groups Likely to Out-Perform Market in 1946

SELECTIONS BASED ON TECHNICAL AND FUNDAMENTAL CONCLUSIONS

By H. M. GARTLEY and HELEN E. DICKINSON
Of H. M. Gartley, Inc.

Market Analysts Conclude That Overall Profits This Year Can Equal the 1944 High Record, But on a More Selective Basis. They Cite the Stocks in the Following Industries as Having the Best Prospects in the Light of Their Technical Market Position and the Demand for Their Products: Advertising—Automobile — Building —Chemical —Electrical Appliance — Machine Tool — Office Equipment — Railroad — Railroad Equipment — Rubber.

The year 1946 will be recorded by history as the year of reconversion to peacetime activities. Despite the fact that V-E Day came in May, and the entire global war was ended in August, the remainder of 1945 saw very little reconversion, and acute shortages remain, especially in all kinds of consumer durable items. Nevertheless, behind - the - scenes change - overs have been proceeding — rapidly in some lines — and the Office of War Mobilization and Reconversion estimates that full reconversion will have occurred by the end of 1946, in all major consumer items except perhaps automobiles.

H. M. Gartley

Thus, the volume of sales for 1946 is likely to continue large — perhaps as much as 80% of the peak level of 1944. However, the outlook for corporate profits depends not only upon sales volume, but upon price levels and costs, as well. It is quite obvious by this

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What to Do About Strikes

By THEODORE W. KHEEL
Former Executive Director and Public Member,
National War Labor Board

Declaring That No Legislation Can Resolve the Current Crisis, Mr. Kheel Calls On Congress for Deliberation Rather Than Speed In Formulating a New Labor Law. Former Labor Board Member Urges Thorough Examination of All Angles of the President's Fact-Finding Proposal, Stating That the Importance of "Facts" Has Been Overemphasized at the Expense of Recommendations. Criticises the Truman Plan as Starting at the Very End of a Dispute, Instead of Carrying Through From the Beginning to the Final Stage.

There's no doubt about it, this country is all agog, and understandably so, about the labor crisis in which we now find ourselves embroiled. And Congress seems determined, if we can judge from the pronouncements of some of its more vocal members to do something about it. Just what isn't exactly clear at this writing, but the hopper in both houses of Congress is filled to overflowing with bills claimed by their sponsors to be the answer to our needs. Above all, the Administration appears determined to see enacted into law the President's plan for fact-finding commissions with a 30 day cooling off period.

Theodore W. Kheel

The purpose of this article is two-fold: (1) to suggest that careful deliberation rather than speed should be the motto by which Congress guides itself in framing suitable legislation; and (2) to examine the pros and cons of the fact-finding plan since it is in the forefront of possible legislation in view of the Administration's sponsorship.

This much is clear: nothing that Congress does at this session can help the current crisis. It's much too far gone to be solved by any legislative proposal that has not yet gotten through committee. Besides, it is likely to be resolved one way or another in the not too distant future. At this writing, the companies and unions in most of the major disputes are only a few cents apart.

You might not like the way these cases will be settled, but agreements will be reached. It is probable that the final settlements will be at the expense of the consumer, who proverbially gets it in the neck anyhow, but the strikes will end and work will be resumed, in most if not all of the strikes. Once these disputes are over with, look for a breathing spell from nation-wide strikes. After all, the sole issue involved in most of these cases is wages and the agreements that are finally concluded will be binding on the parties for the remainder of their contract terms.

We have cussed and fumed about strikes for many years now. But not once has Congress, through any of its appropriate committees undertaken to make a careful and objective study of why we have strikes and what can be done about them. Now, when things reach crisis-like proportions, comes a mad rush to enact some legislation quickly. The same think happened during the war when John L. Lewis was rampaging for a wage increase in excess of the limits set by the Government. The people of this country were steamed up then in the same way that they are at the present time. So Congress passed the Smith-Connally Act in no time flat and then sat back, with a sigh of relief, and did nothing until

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Why Loan to Britain Should Be Denied

William Chamberlain of Saratoga, Cal. Writes Congressman That Proposed British Loan Would Drain Off $4 Billions Worth of Value Needed at Home, and at Same Time Add Correspondingly to Inflation of Our Already Inflated Monetary Medium. Describes the Process of Inflation and Says Price Controls Merely Attack Symptoms and Ignore Causes of Inflation. Denies Loan Will Aid U. S. Through Expansion of Exports, Since It Does Not Give Occasion for Counter Balanced Imports, and Points Out That, in View of Socialistic Tendencies in Leading Foreign Countries, Including Britain, Our Home Producers Are Placed in Competition With Government-Subsidized Foreign Goods. Holds Subsidized Exports of Domestically Required Goods Constitutes No More Than Additional Inflation.

The "Chronicle" has received from William Chamberlain of Saratoga, California, formerly President of the United Light and Power Company, and a Director of American Light and Traction Company, a copy of a letter dated Jan. 11, he wrote to Congressman J. Z. Anderson of California expressing opposition to Congressional approval of the proposed British Loan. The text of this letter, which contains a lengthy analysis of the implications and effects of the loan, is as follows:

William Chamberlain

My dear Congressman:

You have suggested that the views of your constituents respecting important measures pending before Congress would be helpful to you. I am therefore writing to express my opposition to Congressional approval of the recently proposed British loan, and to tell you why I oppose it. I use the term "Loan" because that is its official title, and for no other reason. I am quite as well aware as any other person who has examined the announced terms; the present political and financial position of Great Britain; and possesses even superficial knowledge

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Post-War Money Supply Problem

By AUBREY G. LANSTON*

Vice-President of First Boston Corporation

Mr. Lanston, Calling Attention to the Rise in the Market Value of 2¼% and 2½% Government Bonds, Asserts We Are Facing a New Situation With Respect to Interest Rates and Money Supply. Holds Interest Rate Controls Seem Likely to Be With Us for an Indefinite Period and That These Controls Are Apt to Be More Harsh and Threaten to Transfer Our Economic and Social System From Free Enterprise to That of State Socialism. Points Out That Banks, in Order to Protect Future Earnings, Are Scrambling to Buy High Yield Government Issues and That Redemptions of Savings Bonds, Together With Liquidation of Non-Bank Holdings, Will Increase Commercial Bank Government Bond Holdings.

During the war Government deficits were the primary cause of the increase which occurred in the money supply. From here out it seems likely that the primary factor in changes in our money supply may be the attitude of the Government toward interest rates on Treasury securities. I would like to outline the mechanics of that relationship for you because I think it is one of the most important fundamental things with which we will have to contend.

A. G. Lanston

The three major elements in the liquid assets of the country are currency, bank deposits, and liquid securities, in which Treasury is-

*A talk by Mr. Lanston at a Round Table Discussion of Post-war Monetary Supply and Its Significance at the 275th regular meeting of the National Industrial Conference Board, New York City, Jan. 17, 1946.

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The Indirect Approach

Regulation by Back Door Methods Condemned. Securities Industry Alive to Implications of the Oxford Case. Protest Meetings Organized Against SEC Enunciation of Doctrine Governing Riskless Transactions and Disclosures. Claim That Commission Avoids Direct Approach Because of Known Opposition to Instant "Philosophy" by Dealers.

Recently, in covering the Oxford case, we said the danger lay in the use that the Securities and Exchange Commission would make of that opinion as a precedent.

The attempt in that opinion to seek for the first time to compel a dealer to either have physical possession of, or a confirmed order for the purchase of, the securities he sells or else act as a broker has the industry on edge.

The Oxford case involved a revocation order "as broker and dealer."

It has just been cited by the Commission in "The Matter of Investment Registry of America, Inc.," which involves an order of revocation "as broker and dealer and as investment adviser."

The rights and duties characterizing the activities of brokers, of dealers, and of investment advisers, are readily distinguishable.

The Commission's campaign to place many dealers on a strict agency basis is a clear indication of the trend taken by SEC thinking.

We like our regulation straight and easily recognizable.

When the Commission toyed with a proposed full disclosure rule, the securities industry took up the cudgels of opposition and submerged it.

Dealers who see the game and that the cards are dealt from the top of the deck can make adequate preparation for self protection.

We believe the average person in the industry thinks that the Oxford decision, in its riskless transaction and disclosure phases, hits below the belt.

If the Commission wishes to chart a course, let it do so straightforwardly by creating a rule on that subject. If it is powerless to do so, then petition the Congress for appropriate legislation.

That was not the path chosen by the Commission in the Oxford case.

The principle which the Commission sought to establish, should never have been created by means of a distinctly doubtful statutory interpretation.

Since such doctrine is contrary to the long established trade custom and usage in the securities field, it is small wonder that the industry has been jolted so severely by its enunciation.

Using the Oxford case as a medium in which to bed this principle down, was particularly insincere.

This backdoor approach cannot be condoned.

The Commission did not try the medium of an amendment to the NASD's Rules of Fair Practice, because mani-

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Reasons for Extended Stock Rise

By CHARLES A. TAGGART

Charles A. Taggart & Co., Philadelphia

Dealer Holds There Will Be a Further Important Rise in Equity Securities Because of (1) Heavy Reduction in Debt Structure of Corporations; (2) Reduced Inventories; (3) Liquidation of Mortgages on Farms and Homes; (4) Threat of Further Dollar Depreciation and (5) Coming General Prosperity of Nation Arising From Money and Credit Used in Rebuilding War Devastated Areas.

On Jan. 2, 1942, I prophesied that stocks would be better to hold than cash. This I repeated in 1943, 1944 and 1945. From Jan. 2, 1942, to Dec. 22, 1945, inclusive, this theory was proven to be correct, as Dow-Jones average on industrial stocks rose from 110.96 to 190.52, gain of 72⅔%; railroad stocks rose from 25.42 to 63.19, gain of 150%, and public utility stocks rose from 14.02 to 37.97, gain of 170%.

Charles A. Taggart

It is also my conviction that we shall have a further important rise in equity securities during 1946.

Some 1929 Data

On Jan. 1, 1929, Dow-Jones average for industrial stocks stood at 300 and railroads at 151.14.

Present average of industrial stocks is now about 63% of January, 1929, market value, and railroad stocks about 41%, and conditions, I believe, are now favorable for further rise from this level.

It is my contention that before this market has reached its peak—and there will be corrective recessions from time to time—1929

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Bank Portfolio Management Under Current Conditions

By ROBERT C. EFFINGER*

Vice-President, Irving Trust Company, New York

Stating the Objectives of a Bank's Investment Portfolio as (1) to Provide Funds Needed to Meet Declines in Deposits and Increases in Loans, and (2) to Provide Income, Mr. Effinger Recommends the Maintenance of a Distinct Secondary Reserve for the First Purpose, and an Investment Reserve for the Second. The Secondary Reserve Should Comprise a Supply of High Grade, Short Term Securities Sufficient at All Times to Meet Estimated Declines in Deposits and Increases in Loans. The Investment Reserve Should Comprise Highest Grade Longer Term Securities. Cautions Against Reaching for Income by Progressively Lowering Grades of Investments Held, and Concludes That Deposits Will Continue to Rise, and That Interest Rates Will Be Kept Low. Sees Grave Social Consequences in a Further Lowering of Interest Rates.

The topic assigned to me for this meeting is "Bank Investment Portfolio Management Under Current Conditions." I shall deal with it in a way which I hope will prove helpful under current conditions and to some extent at least under circumstances that may prevail in the future. I shall start by outlining what I believe to be a sound basic investment policy, then express opinions as to the outlook for deposits, loans and interest rates, and conclude with some specific recommendations.

Basic Investment Policy

A sound basic policy for the management of a bank's investment portfolio should start with a statement of the objectives sought. In my opinion these should be: first, to provide funds needed to meet declines in deposits and increases in loans; and, secondly, to provide income.

I believe these objectives can best be accomplished by dividing a bank's investment portfolio into two parts or accounts, the Secondary Reserve Account and the Investment Account, and then by observing certain sound principles with respect to maturity distribution, quality of investments, extent of diversification by obligor and the correct timing

*An address by Mr. Effinger before the eighteenth annual mid-winter meeting of the New York State Bankers Association, New York City, Jan. 21, 1946.

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The Air Lines As Investments

By ROGER W. BABSON

Mr. Babson Suggests That Investors Wait Before Purchasing Airlines Stocks, Because, Although for a Few Years They Should Have Good Earnings and Much Glamour, They May Be Uncertain as the Weather. Points Out That at Any Time Government Could Start Competing Air Routes, and That "After These Honeymoon Years" Despite Traffic Increase, Airplane Companies Will Not Be as Profitable. Some Airplane Stocks Too High in Relation to Earnings.

Have had an unfortunate experience at La Guardia Airport in New York City where I waited from 6 a.m. for a plane due to leave for the South at 7:30 A.M. Then at the very last minute it was announced that "due to weather conditions" the flight had been cancelled. I immediately went to the Penn. Station to get a Pullman berth. There I was told that all space had been sold for two weeks ahead.

Roger W. Babson

Let me further add that, although I had my plane reservations two weeks in advance, I would now have to wait another two weeks before getting another plane seat.

Air travel is marvelous when the weather is good and there are plenty of planes; but this winter on long routes it is terrible. For runs over 400 miles I advise readers to engage Pullman accommodations and not depend upon airlines. The same general principle may also apply to airline stocks as an investment. For a few years they should have good earnings and much glamour; but then look out! They may be as uncertain, in the long run, as the weather.

Government Competition

Now that our country is honeycombed with a network of railroads, it would practically be impossible for the government to build new competing railroad lines. Furthermore, their securities are probably now selling for less than their original cost—not to mention reproduction costs. Re-

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Ends Margin Trading

Chairman Eccles of FRB Issues Order Raising Margins to 100%. Says Action of Reserve Board Governors Is to Prevent Further Flow of Borrowed Money Into Stock Market Operations and Thus Hit Primary Source of Inflation Danger. Favors Increased Capital Gains Tax and Balancing of the Federal Budget.

On Jan. 17, the Board of Governors of the Federal Reserve System, through Chairman Marriner S. Eccles, issued a new regulation, effective Jan. 1, 1946, requiring that purchase of stocks listed on registered exchanges for account of customers should be margined at 100%. This, in effect, eliminates trading on margin in listed securities by the public. It does not apply to the use of credit for any purpose except to finance transactions in securities and it does not require reduction or liquidation of existing accounts or loans.

Marriner S. Eccles

Chairman Eccles, after the announcement of the board's new ruling, made the following statement in which he pointed out the motive for the drastic and unprecedented regulation and again reiterated his recommendation for an increased capital gains tax to curb speculation:

"My personal view of the board's decision to increase margin requirements to 100% may be summed up as follows:

"By this action, the board has used its authority to prevent the further flow of borrowed money into stock market operations. There is no further recourse left to the board, so far as restraining speculative activities in listed stocks is concerned, except possibly to order that all existing margin accounts be put on a cash basis and to make some of the administrative provisions applying to banks more rigid. To whatever extent the board's action will tend to dampen speculative activity, it is desirable, as a preventive step, at this time of strong inflationary pressures and until such time as inflationary dangers are passed.

"As I have frequently sought to emphasize in the past, the primary source of the inflation danger which overhangs the domestic economy on all fronts is the vast accumulation of currency and bank deposits at the disposal of the public as a result of the fact that far too much of the cost of the war was financed through the creation of commercial bank credit and not enough was financed out of taxes and the savings of the public. Credit for stock market as well as other purposes has been curbed all along, but it is a minor and not a major factor in the inflation picture. While credit curbs are justified for such restraint as they may impose on speculative activities in a time of inflationary danger, they cannot reach the real source of danger, which is the huge amount of money already created through bank credit. Price controls, rationing, allocations, etc., are vitally necessary for holding the line until the danger is past, but they are not designed to prevent the excessive money supply from flowing into speculation in capital

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Holds Margin Prohibition No Remedy Against Inflation

President of Association of Customers Brokers Says Check of Rise in Prices Could Be More Effectively Taken by Measures Designed to Increase Supply of Stocks, Such as Elimination of Frozen Accounts and Removal of Holding Periods in Connection With Gains Tax.

Donald C. Blanke, of Eastman, Dillon & Co., who is President of the Association of Customers Brokers, issued a statement on Jan. 19, criticizing the Federal Reserve Board's action in eliminating margin trading.

Donald C. Blanke

"While I can understand the desire of the Federal Reserve Board to carry out anti-inflationary powers delegated to it by Congress," Mr. Blanke stated "the observations of our members as to the reaction of the public following the increase in margins to 75% indicate that the increase in margins to 100% will not halt inflation," and he continues:

"Following the higher margin requirements set in July last year, we have noted the following tendencies on the part of those interested in securities.

1. An increase in fear of inflation.
2. The heavy purchasing of low-priced and unregistered issues which have not had any collateral value.
3. The freezing of stocks that were already on margin and the opening of new accounts for new purchases.

"Furthermore, the market has staged the largest percentage advance since the bull movement got under way in May 1942.

"In my opinion the Federal Reserve Board could more effectively check the rise in prices by measures designed to increase the supply of stocks, such as: By eliminating certain restrictive features on frozen accounts and also by recommending to Congress the elimination of any holding periods in connection with the capital gains tax. An increase in the capital gains tax or a lengthening of the holding period would simply result in a further curtailment of the supply of stocks."

Hugh Niven in Indianapolis

INDIANAPOLIS, IND.—Hugh Niven is engaging in a securities business from offices at 3510 North Penn. In the past he was associated with Atkins, Hamill & Gates and Schwabacher & Co. and was in charge of the Indianapolis office of The National City Co. of New York.

J. Goldstein Co. Formed

Jack Goldstein has formed J. Goldstein Co. with offices at 1036 Ward Avenue, New York City, to engage in the securities business. In the past he was with J. H. Lederer & Co., Inc., and Woodworth, Morgen & Co.

John Patton Rejoins Burns, Potter & Company

(Special to THE FINANCIAL CHRONICLE)

OMAHA, NEB.—John H. Patton has resumed his duties with Burns, Potter & Company, 202 South Seventeenth Street. Prior to serving in the armed forces he was treasurer and manager of the trading department for the firm.

Kurtz Rejoins Bache Co.

PHILADELPHIA, PA.—Lieut.-Col. James Kurtz (AUS) has resumed his position as manager of the Commodity Department of Bache & Co., 1411 Walnut Street.

Otto Fuerst to Admit

Otto Fuerst & Co., 41 Broad Street, New York City, will admit Frank Feinberg to partnership in the firm on Feb. 1.

Joins Baker, Simonds & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—**Henry Stephens IV** has been added to the staff of **Baker, Simonds & Co.**, Buhl Building. He has recently been serving in the U. S. Marine Corps.

High-Level Employment—A Challenge to Retail Distribution

By MALCOLM P. McNAIR*

Professor of Marketing, Harvard University

Professor McNair, Holding That a High Level of Stable Employment Cannot Be Obtained by Passing Laws, but Is a Challenge to Private Enterprise, Points Out the Part That Retail Distribution Must Play in Its Attainment. Says Retailing Must Grow and Must Be Geared to an Expanding and Stable Economy. It Must Expand Itself, Increase Its Efficiency and Enlarge Consumption Demands Through Creative Merchandizing.

Prof. M. P. McNair

Let's not kid ourselves about this "full employment" business. "Full employment" is not something that we are going to get by passing laws; but, on the other hand, don't make the mistake of failing to recognize that the emotional drive behind the "full employment" concept presents a definite challenge to private enterprise. Right at the present time one of the best arguments against the national planning approach to full employment, as embodied in the original version of the Murray Bill, is afforded by the very substantial margin by which the prognosticators on unemployment missed the boat in their predictions just after V-J Day. Many of the Washington experts placed the probable unemployment by November or December, 1945, at figures ranging anywhere from five to ten million;

*An address by Professor McNair before the 35th Annual Conference of National Retail Dry Goods Association, Hotel Pennsylvania, New York, Jan. 10, 1946.

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Purchasing Power and Income in the Postwar Market

By EDWIN B. GEORGE*

Economist and Associate Editor "Dun's Review"

Asserting That Forecasting Is One of the Gayest of Sports, Mr. George Notes Prognostication Errors Regarding Reconversion. He Contends That We "Have Been Wrestling With Images" and That the Present Stampede for Spending Is Same Mass Behavior as at End of World War I. Estimates That Production Will Amount to $178 Billions in 1947, of Which $133 Billions Will Be Available for Spending. Holds Deficit Financing Has Created Excess Liquid Capital in Gross National Product Which Accelerates Business Turnover, and Estimates That in Fiscal Year 1947, Government Will Spend $32 Billions, Private Capital Formation Will Take $25 Billions, and Consumers Will Spend $113 Billions of Gross National Product. Sees Continuation of War-Time Controls as Needed to Avoid Inflationary Boom.

I started to prepare an elaborate catalog of all the parts and components of Gross National Product, with a technical description of the manner of functioning of each. The billing seemed to call for it. The total effect would have been that of the legendary 24 volume German preface to the love life of an elephant. Then I had what I hope is a much better idea. In the course of some of my Washington work, I have had the privilege of examining a great many private and public forecasts of the economic outlook. Most of them are confidential and practically all are constructed in terms of Gross National Product. I thought to myself, could there be a more vivid demonstration of what this thing is for than from the way it is actually being used in these tense times? So I am going to try to tell you the story of GNP in terms of its most popular function, that of forecasting, with a continuous cross-reference to full employment.

Edwin B. George

You must remember throughout that the device is still a controversial one, and lacks the benefits of decades of seasoning. Critics claim that the tax and depreciation features are duplicated, that the results are distorted by heavy leverage factors such as the productivity trend, and that the perfections of mathematics cannot hope to reflect accurately the subtleties and dynamics of what goes on in business life. I have

*An address by Mr. George before the American Management Association Marketing Conference, Hotel Pennsylvania, New York City, Jan. 17, 1946.

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The Importance of Importing

By PAUL WIERS*

International Trade Unit, Bureau of Foreign and Domestic Commerce, Pointing Out That to Achieve World-Trade Success We Must Buy More From Abroad, Department of Commerce Expert Estimates That From $5 to $7 Billions of Imports a Year Will Be Necessary to Give Foreign Nations the Dollar Balances to Service Existing Loans and to Buy American Exports. Sees Stage Set for Mutually Beneficial Growth of World Trade When Exchange Parities Are Adjusted and the Bretton Woods Agreements Adopted.

One does not have to be a historian to note that high employment and business prosperity in the United States are associated with a large volume of foreign trade. But a quick refresher course may help. Everyone remembers the war years. Most of us also remember the years from 1932 to 1937 when there was a gradual recovery of employment and business prosperity accompanied by a considerable increase in foreign trade.

Paul Wiers

Prosperity and Foreign Trade

One of the longest upswings since the beginning of the century was from 1921 to 1929. Business activity, employment, income, exports, imports—all were on the increase. There are indications that after 1926 a tendency for employment to sag may have been temporarily averted by the continued increase of foreign trade. Other high or growing years for both are 1905-07 and 1912-13.

On the gloomy side, we are all familiar with what happened in the Great Depression—how imports, exports, employment, income, and almost every other index of economic activity tobogganed. On a smaller scale, the same thing occurred in late 1937 and 1938. Earlier in the century, the years 1904 and 1908-11 had given us previews of what was to come.

Mathematical proof of which changes first — employment and business activity, or foreign trade —must await the development of more accurate monthly data. We

*Reprinted from "Journal of International Economy," Jan. 5, 1946, published by the Department of Commerce, Washington, D. C.

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The Future of Germany

By ALLEN W. DULLES*
Recently Head of OSS Mission in Germany

Mr. Dulles Criticises the United Nations Program in Germany as Facing in Two Directions at the Same Time, Resulting in a Political and Economic Vacuum. Urges United States to Get Out of "The Concentration Camp Business,"

It is now eight months since V-E Day.

After World War I in less than seven months we had signed a treaty of peace with Germany. Possible we moved too rapidly then but I fear too slowly now.

Allen W. Dulles

We must not confuse a reasonable breathing spell after the end of hostilities with a Rip Van Winkle sleep.

It is time to take stock of our German policy, see what has been done, what remains to be done and whether there is any program to accomplish this. The future of Germany may depend upon our policy over the coming months and the shape and direction we give it.

Critics should be constructive. I have little sympathy with those who, like myself, have left the German scene for the quieter and pleasanter circumstances of private life, and then turn around and blame those who are working in devastated Berlin or Frankfurt in the bleakness of a German winter. I have just as little sympathy for hasty and intemperate press attacks on our public servants in Germany, or imputing to them motives of favoring Nazis or building up German war potential, etc. Such charges are false. General Clay, head of the American Civil Government under General McNarney, is one of the ablest administrators I have ever met. He is fair, efficient and tireless. He has several very able assistants—all too few for his immense task, which requires the combined skill of a statesman, diplomat, administrator and civil servant.

What have the United Nations accomplished in Germany so far? We have inflicted a total military defeat on Germany—in contrast to 1918. We have destroyed a large part of Germany's great cities. We have crippled German industry and disrupted German communications. We are quite properly giving the Russians and other Allies reparations in kind. But with all this we are tending to create an economic and political vacuum.

We have divided Germany into five zones of occupation and five different countries are occupying them, with some coordination through an Allied Council in Berlin. In the American zone alone we have arrested upwards of 100,000 Nazis and are trying the top culprits at Nurnberg.

In the American zone we are so far committed to carrying out a program drafted in Washington months before V-E Day, which was an unsatisfactory compromise between the so-called Morgenthau plan to reduce Germany to an agricultural state and those who opposed this plan. Hence our program faces in two directions at the same time.

So far our policy has stressed negatives. We have destroyed, decentralized, de-Nazified, de-industrialized and de-militarized. All this is only the natural and mer-

(Continued on page 419)

*Summary of Mr. Dulles' remarks before Foreign Policy Association, Jan. 19, 1946.

G. M. Giannini & Co.

G. M. Giannini & Co., Inc. will engage in a securities business from office at 20 Exchange Place, New York City.

Joseph Rinaldi With Lerner & Company

BOSTON, MASS. — Joseph M. Rinaldi has become affiliated with Lerner & Co., 10 Post Office Square. Mr. Rinaldi has recently been serving in the U. S. Army. Prior thereto he was manager of the Stock Department for H. D. Knox & Co.'s Boston office.

Alison & Co. Announces Opening of Offices

DETROIT, MICH. — Alison & Company announces the opening of its offices at 1854 Buhl Building to resume its business as underwriters, participating distributors, dealers and brokers in industrial stocks and general market issues.

Formation of Alison & Co. was previously reported in the "Financial Chronicle" of Nov. 15.

Now Edwin D. Berl & Son

SAN FRANCISCO, CALIF. — Warren H. Berl has been admitted to partnership in the investment business of Edwin D. Berl and the firm is now known as Edwin D. Berl & Son. Offices are located at 333 Montgomery Street. The business was orginally established in 1882.

Hutter in Brooklyn

BROOKLYN, N. Y.—Elmer P. Hutter is engaging in an investment business from offices at 304 Argyle Road.

Public Utility Securities

Two New Stock Issues—Tennessee Gas and Dallas Ry.

Two new utility equities recently made their appearance—Tennessee Gas & Transmission, and Dallas Railway & Terminal. Tennessee Gas represented a "negotiated deal," the offering of 812,100 shares of common stock being made Jan. 15 by a group headed by Stone & Webster and Blodgett and White Weld & Co. The stock proved popular, advancing to 16 compared with the offering price of 12.

The company was incorporated in 1940 to build and operate a pipe-line from the Stratton-Agua Dulce Field in Texas to West Virginia, for delivery of gas under long-term contracts to subsidiaries of Columbia Gas and Consolidated Natural Gas. The line was built with Federal encouragement, and since Jan. 31, 1945 it has been delivering an average of over 200,000,000 cubic feet of gas a day. Bond and preferred stock issues were successfully marketed last year, and part of the present issue of common stock is designed to buy additional compressor stations now being built by the RFC. (Of the 812,100 shares of common stock, only 238,000 shares were obtained from the company, the remainder being purchased from certain stockholders).

The prospectus did not give a very clear statement of earnings and dividends. The earnings summary for the 12 months ended Nov. 30 indicated about $2.07 a share, but after adjustment to a pro forma basis earnings would be reduced to around $1.48. However, the pro forma statement was not intended as an estimate and does not give effect to possible changes in costs or taxes, or to additional facilities which will be in operation, etc. Judging from the enthusiastic market reception afforded the stock, it appears likely that buyers are anticipating earnings somewhat in excess of the pro forma figures.

The company will have to devote a substantial amount of cash annually to payment of the sinking fund installments on the bonds and repayments of the bank loan. In 1946 such payments will approach $2,000,000 and in 1947 $3,000,000, with a slight offsetting decline in interest. Hence it seems unlikely that dividend payments will be on the generous side, although a substantial proportion of the funds required for debt retirement can probably be obtained from depreciation, which is currently at the rate of nearly $2,000,000 a year. Assuming that the company were able to pay as much as $1 a share this would mean a return of 6.3% on the present price.

Dallas Railway & Terminal common stock (162,500 shares, owned by Electric Power & Light) was offered at competitive bidding Jan. 21, First Boston submitting the best bid, and the stock was to be publicly offered at 23¼-23½ (assuming SEC approval). The figures on earnings and dividends as stated in the prospectus were not particularly encouraging. For the 12 months ended Oct. 31, 1945, $3.07 was reported earned and dividends of $1.50 a share were paid; but in the pre-war years 1939 and 1941, according to this summary, there were no earnings and no dividends. However, the summary failed to give effect to cancellation in 1942 of an important charge for rental of leased property, and also for a substantial reduction in interest charges in 1944. Making allowance for such pro forma adjustments, prewar earnings would perhaps have been somewhere in the neighborhood of $1.50 a share, though this figure probably does not adequately reflect the present tax burden.

Gross revenues in 1939-1940 averaged less than half the present level, but the management appears confident that, while there will be some recession after automobiles come back, gross will never decline to the old pre-war level. The indicated current rate of dividends is $1.40, which appears quite reasonable in relation to present earnings, though careful management might be required to continue the rate indefinitely. This dividend would return a yield of nearly 6% on the retail offering price. While this is not generous as compared with yields on most transit stocks, it is understood that the stock was successfully offered, with a considerable demand from Texas investors.

The Challange of Human Engineering

By HENRY FORD II*
President, Ford Motor Company

Leading Auto Company Executive, Maintaining That Aim of Mass Production Is to Lower Costs and Improve Living Standards, Calls Attention to the Importance of the Human Factor in Production. Asserts if Problem of Human Relations in Production Can Be Solved, More Progress Can Be Made Than in Development of Machinery. Cites Losses Due to Strikes and Other Work Stoppages, and Decline in Productivity of Worker as a Field for Improvement Study and Calls for Closer Understanding Between Management and Labor. Says Labor Unions Are Permanent, but Urges Strengthening of Their Leadership and Installation of Definite Industrial Relations Programs.

What I propose to do is to outline a problem. That may not be very considerate of me, but I take comfort from the fact that problems are the business of the Society of Automotive Engineers, and that you have never failed to rise to any difficult challenge. The problem, in my opinion, is one of the greatest which confronts American industry, for it concerns human relationships — relationships which can either aid or impede our efforts to achieve greater industrial afficiency. And if you can help to solve it—and I believe it needs the benefit of scientific thinking—you will have done much to increase the well-being and the living standards of America.

Henry Ford, 2nd

America's Productive Capacity

The ability of American industry to produce has never had the prestige it enjoys at this particular moment in history. The job of war production has been called a miracle. It confounded our enemies and drew praise from our allies. In a very short time we armed the largest fighting force ever mustered on this continent; we built, armed and fueled combat ships and planes and tanks in quantities never before imagined; we put billions of dollars of weapons into the hands of our allies all over the world.

The mechanical principles which made possible this war production record are not new to any of us—*standardization* of parts, *"line" assembly*, the use of large, high-cost *machine tools*. These are the principles all of us have used for many years in the manfacture of automobiles. They are the principles of mass-production, and no group of men deserves a larger share of the credit for the rapid development of the mechanics of mass-production than this group here tonight. Mass-production is not an end

*An address by Mr. Ford before the Society of Automotive Engineers, at Masonic Hall, Detroit, Mich. Jan. 9, 1946.

(Continued on page 422)

Problems After Victory

By HAROLD STONIER*
Executive Manager, American Bankers Association

Dr. Stonier Contrasts Post-War Banking Position Following World War II and After Previous War, Contending That as Result of Post-War Planning, and Cooperation of Banks With Government, Nation Is in Sounder Position for Reconversion and Resumption of Normal Business Operations. Tells of Opposition of ABA to Peacetime Spending Measures in Congress and Its Support of Actions to Curb Further National Indebtedness and Avoid Further Inflation. Asks for End of Government "Guarantees" in Credit Transactions and Asserts Banks Are Prepared Independently to Aid Small Business Financing. Says Banks Are Sound and Calls for More Wealth With Less Money.

In the year following the last war we had hundreds of strikes involving as many as four million workers. However, there is one significant change of today as against a quarter of a century ago. Then they were called conflicts between capital and labor. Today the conflicts are called labor-management controversies.

Dr. Harold Stonier

There was a time when some bankers were dominant in an ownership way so far as big industry was concerned, but in the last 25 years ownership of industry has been diversified. Many of the people engaged in strikes today are also owners of stock in the corporations against which they are striking. Management and labor are therefore merely two names for people who all work for corporations owned by workers, managers, and a large segment of the general public.

It is apparent that the public feels that the acute phase of present labor trouble will soon pass. That is reflected in the Stock Exchange. Yet we cannot by scientific methods alone evolve peaceful formulas for settling management-labor disputes. Human emotions are concerned. It is somewhat analogous to finding

*An address by Dr. Stonier before the 18th annual mid-winter session of the New York State Bankers Association, New York City, Jan. 21, 1946.

(Continued on page 427)

Unscrambling Pittsburgh Railways

By J. GENTRY DAGGY
Philadelphia Security Analyst

Noting That Favorable Developments Have Taken Place in Last Two Years in the Position of the Philadelphia Company and Its Subsidiary, the Pittsburgh Railways, and That, Because of the Trusteeship, Cash Has Been Accumulated in Excess of $20 Millions, and Is Accumulating in Excess of Accrual on All Outstanding Publicly Held Securities, Mr. Daggy Proposes a Plan Whereby Guaranteed Stocks and Bonds of Underlying Companies Will Be Exchanged for a New Issue of Preferred Stock, and Offers to Purchase Other Underlying Securities at Stated Prices Made to Holders. Says Plan Would Curtail Obligation of Meeting Interest Accrually and Bring About Merger of Philadelphia Company and Pittsburgh Railways.

In January, 1944, a group of institutions, firms and individuals holding or representing over $12,000,000 face value of Pittsburgh Railways system securities addressed letters to Philadelphia Company, Pittsburgh Railways' parent, proposing consideration of an agreement under the tentative terms of which (a) the then pending reorganization proceedings would be terminated, (b) assets in the hands of the trustees would be returned to Pittsburgh Railways Co., and Pittsburgh Motor Coach Co., (c) cash so made available would be distributed to creditors and security holders, and (d) Philadelphia Company, upon terms to be agreed upon by negotiation, would submit an offer to purchase securities of Pittsburgh Railways Co. and of underlying companies held by the public.

J. Gentry Daggy

On Feb. 9, 1944, Philadelphia Company replied in part:

". . . we wish to advise that Philadelphia Company is willing to enter into discussions along the lines you have suggested."

About two years have elapsed since this promising overture fell flat on its nose. To all intents and purposes, as far as public holders of securities are concerned, Philadelphia Company's letter might have been dated yesterday.

In the meantime, despite the profound lethargy which has seemingly enveloped any progress toward negotiation, constructive developments have taken place. They may be summarized:

1. The November, 1944, decision of the Pennsylvania Supreme Court upholding the validity of the several Philadelphia Company

(Continued on page 424)

Laurence Harris Joins C. J. Devine & Co.

C. J. Devine & Co., Inc., 48 Wall Street, New York City, specialists in Government securities, announce that Laurence Harris has resigned from the State Department to become associated with them as Manager of the municipal trading department. For many years Mr. Harris was Vice-President of Fenner, Beane Corporation and Manager of that firm's municipal department.

Shortly after Pearl Harbor Mr. Harris went with the Government as one of a small group of economic and industrial analysts in the Board of Economic Warfare who prepared reports to assist the Air Corps in mapping the stategic bombing campaigns against Axis Europe and Japan. He also served briefly in the American Embassy in London and later was attached to General Eisenhower's headquarters on the continent as an economic specialist, with the assimilated rank of Colonel. He spent the winter of 1944-45 in the field with General Bradley's 12th Army Group Headquarters.

Mr. Harris was formerly a member of the faculty of Yale University and at one time conducted a course in municipal finance at the New York Stock Exchange Institute.

Edward P. Field & Co. To Be Formed in NYC

The New York Stock Exchange firm of Edward P. Field & Co. will be formed as of Feb. 1, with offices at 37 Wall Street, New York City. Partners will be Edward P. Field, Edward P. Field, Jr., and William V. Driscoll, the firm's Exchange member. Mr. Field, Sr. was formerly a partner in J. R. Williston & Co., and Gude, Winmill & Co. Mr. Driscoll has been active as an individual floor broker, and was a partner in Garvin, Bantel & Co.

R. M. Torgerson & Co.

Reinert M. Torgerson, member of the New York Stock Exchange, who has been active as an individual floor broker, will form R. M. Torgerson & Co. with offices at 50 Broadway, New York City, effective Feb. 1.

Fox to Be Slaughter Partner

Charles Slaughter & Co., 66 Beaver Street, New York City, members of the New York Stock Exchange, will admit Matthew S. Fox to partnership on Jan. 31.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Bank and Insurance Stock Digest—Discussion of several situations—Geyer & Co., Inc., 67 Wall Street, New York 5, N. Y.

Graphic Stocks—900 charts providing statistics on virtually every active stock listed on the New York Stock and Curb Exchanges; monthly highs and lows for the past ten years; earnings and dividends since 1936; capitalization of each company; volume of trading in certain important stocks—January issue, 160 pages, $10.00; Annual service (6 issues), $50.00—F. W. Stephens, 15 William Street, New York 5, N. Y.

I. C. C. Comment—Current Reports—Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

Also a memorandum on **Chicago, Rock Island & Pacific.**

Market Opinion — Comments on Developments — Bennett, Spanier & Co., Inc., 10 South La Salle Street, Chicago 3, Ill.

New York Bank Stocks—Comparison and analysis of 19 New York Bank Stocks as of Dec. 31, 1945—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Post War Beneficiary—Descriptive analysis of companies which should benefit from the automobile, building, and frozen food industries—Raymond & Co., 148 State Street, Boston 9, Mass.

Rail Reorganization Developments—Discussion of current activity—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available is a leaflet of **Research Comment** on several issues, and a memorandum on **A. G. Spalding & Brothers, Inc.**

Refined Sugar Prices—Comparison of prices in World War I and World War II, and the postwar period, in the form of a chart—Lamborn & Co., 99 Wall Street, New York 5, N. Y.

Review & Forecast for Insurance Stocks — Detailed study of outlook—Butler-Huff & Co., 210 West Seventh Street, Los Angeles 14, Calif.

Risk of Inflation—Study of current trends in the current issue of the **Investors' Almanac** — Estabrook & Co., 15 State Street, Boston 9, Mass., and 40 Wall Street, New York 5, N. Y.

Threshold of the Future—Timely review of factors making for 1946 prospects in the latest issue of **"Geared to the News"** Bulletin—Strauss Bros., 32 Broadway, New York 4, N. Y.

Alleghany Corporation — Study—Vilas & Hickey, 49 Wall Street, New York 5, N. Y. Also available is a study of **Baltimore and Ohio.** Both for brokers and dealers only.

American Forging and Socket—Circular—De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids 2, Mich.

American Service Co.—Circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Associated Gas & Electric — Memorandum in the January issue of the **Preferred Stock Guide**, which also contains comparative figures on public utility preferred and common stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

Bowser, Inc. — special study—Goodbody & Co., 115 Broadway, New York City.

Also available is a study of **Consol. Electric & Gas.**

Consolidated Cement Corp. Class A—Bulletin on recent developments—**Lerner & Co.**, 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Oregon Portland Cement, Riverside Cement**, and **Spokane Portland Cement.**

Consolidated Dearborn Corporation—Discussion of a real estate stock considered undervalued by Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Consolidated Gas Utilities and The Chicago Corp.—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

Also available is a recent memorandum on **The Muter Co.**

Dayton Malleable Iron Co.—Study of outlook and speculative possibilities for appreciation for this company—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on: **Great American Industries; Alabama Mills, Inc.; Douglas Shoe;** and **Purolator Products.**

Electromaster Inc. — Recent report — **Mercier, McDowell & Dolphyn**, Buhl Building, Detroit 26, Mich.

Also available a report on **Sheller Manufacturing Corp.**

Farrell-Birmingham Co.—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

Franklin County Coal—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y.

Gulf Atlantic Transportation Co.—Circular—Harry & Hardy, 11 Broadway, New York 4, N. Y. Also available is a memorandum on **Randall Company.**

Kearney & Trecker—Memorandum ML showing prominent position in industry, income, and dividend factors, working capital, growth, low price-earnings ratio and marketability—Blair F. Claybaugh & Co., 72 Wall Street, New York 5, N. Y.

Kendall Company—Descriptive circular—Seligman, Lubetkin & Co., 41 Broad Street, New York 4, New York.

Also detailed circulars on **Fashion Park, Shatterproof Glass, Wellman Engineering Co.; Walt Disney Productions; Foundation Company;** and **Segal Lock & Hardware.**

Lehigh Valley Railroad—Circular — McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

Le Roi Company — Study of common stock as a sound speculative purchase — First Colony Corporation, 70 Pine Street, New York 5, N. Y.

Also available are studies of **Bishop & Babcock, York Corrugating, American Insulator.**

Merchants Distilling Corp.—recent analysis—Faroll & Co., 208 South La Salle Street, Chicago 4, Illinois.

Also available is an analysis of **Standard Silica Corp.**

Michigan Public Service — Information—Otis & Co., Terminal Tower, Cleveland 13, Ohio.

Also available is data on **Ohio Water Service, Chicago South Shore & South Bend**, and **Steep Rock Iron Mines.**

Midland Utilities and Midland Realization — detailed study—write for circular M-3—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

New England Lime Company—Descriptive circular — Dayton Haigney & Co., 75 Federal Street, Boston 10, Mass.

New England Public Service Co.—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Pacific American Investors, Inc.—Memorandum—Kitchen & Co., 135 South La Salle Street, Chicago, 3, Ill.

Pacific American Investors — Analysis of high leverage common stock—Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Panama Coca Cola—Circular on interesting possibilities — Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Public National Bank & Trust Co.—Analysis, for dealers only—**C. E. Unterberg & Co.**, 61 Broadway, New York 6, N. Y.

Also for dealers only are analyses of **National Radiator Co.** and **Republic Pictures.**

H. H. Robertson Co.—Memorandum — Buckley Bros., 1529 Walnut Street, Philadelphia 2, Pa.

Schenley Distillers Corporation—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation,**

350 Fifth Avenue, New York 1 N. Y.

Sunshine Consolidated Inc.—Memorandum for brokers and dealers—W. T. Bonn & Co., 120 Broadway, New York 5, N. Y.

U. S. Sugar—Circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Victor Equipment Company—Special memorandum—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Wellman Engineering Company—Circular—Wm. J. Mericka & Co., Inc., Union Commerce Building, Cleveland 14, Ohio.

Chicago Personnels

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **John R. Duchesneau** has become affiliated with **A. C. Allyn & Company, Inc.**, 100 W. Monroe Street, after serving in the armed forces.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Melvin H. Isenberg** has joined the staff of **Ames, Emerich & Co.**, Inc., 105 South La Salle Street, after serving in the U. S. Army.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Roger K. Ballard, Jr.** has become associated with **Glore, Forgan & Co.**, 135 South La Salle Street, after serving in the U. S. Navy.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**Herman Shirwo** is now connected with **Rothschild & Company**, 135 South La Salle Street. Mr. Shirwo in the past was with J. S. Bache & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—**George Hamilton Beasley** has rejoined the staff of **Cruttenden & Co.**, 209 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL. — **Stanley H. Morgan** has joined the staff of **Brailsford & Co.**, 208 South La Salle Street.

(Special to THE FINANCIAL CHRONICLE)

PEORIA, ILL.—**Robert J. Heiden** is with **Taussig, Day & Co., Inc.**, Alliance Building.

Martin Lazar Is With David A. Noyes & Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, ILL.—Martin Lazar has become associated with David A. Noyes & Co., 208 South La Salle Street, members of the New York and Chicago Stock Exchanges. Mr. Lazar was associated for many years with Brailsford & Co. and its predecessors in charge of the foreign bond department.

Kittell Expanding

SAN PEDRO, CALIF. — With the return of his sons from overseas duty in Germany and the South Pacific, J. C. Kittell, Sr. announces the expansion of his facilities to handle patents, imports and exports, in addition to securities.

Melady & Co., NYSE Members, Is Formed

Formation of the firm of Melady & Co., with membership in the New York Stock Exchange, has been announced. The general partners are Frederic C. Shipman, William J. Melady (board member) and Arthur V. Crofton, member of the New York Produce Exchange. John Melady is a limited partner.

Fred. C. Shipman

Mr. Shipman served eleven years with the Securities and Exchange Commission, and was a senior member of the investigation staff of the Commission's New York Regional Office. He was the oldest employee in that office in point of service. Mr. Shipman began his career as an office boy with J. P. Morgan & Co. He organized and managed brokerage firms over a period of 10 years before joining the SEC.

John Melady is well known in the grain trade in the United States and Canada in the export and import divisions. William J. Melady has been a member of the Stock Exchange for 15 years and Mr. Crofton has held membership in the Produce Exchange for 26 years.

Howard Aircraft Div. Produces 'Toothmaster'

Professional Product Now Offered to Public

A division of the Howard Aircraft Corporation, the Electric Motor Corporation of Racine, Wisconsin, which manufactures fractional horsepower motors, is reported to have a backlog of orders sufficient to operate its plant at full capacity for a full year without additional orders.

This division is again producing the Electric Gum Massager and Toothbrush "Toothmaster," which was originally intended as a dentist's help and created for the massager. Production schedules for this item are being geared to a high level in anticipation of a large public demand now that the "Toothmaster" is being sold outside of professional circles. The retail price is $12.50. A separate facility will be set up for the manufacture of this product and a fairly good-sized production is expected by the latter part of February.

Negotiations are reported to be in progress for sales rights for this item in various states, as well as in the Republic of Mexico and certain other foreign countries.

It is understood that the Howard Aircraft Corporation intends soon to change its name to Howard Industries.

Proposed Loan to the United Kingdom

Proposal Expected to Find Tough Sledding Among Members of Congress. Truman Action Seen Delayed Because of Strike Situation.

WASHINGTON, D. C., Jan. 23—Congress is awaiting an early transmittal of President Truman's special message with regard to the British financial agreement negotiated in December. Just what form the legislation will take and to which Committee it will be referred are still matters of speculation. It is said that the President's special message on the subject has been postponed because of the strike situation.

Congressmen who are closely concerned with the subject point out to the "Chronicle" that the British loan will not have easy sledding in Congress. It is said that Jesse Jones, Leo Crowley, Bernard Baruch and Herbert Hoover are all opposed to the agreement which was announced last month. It is further pointed out that if these four men are called before Congressional Committees and testify against the loan, their testimony will have very great weight.

Mr. Jones has made his position clear in a series of editorials in the Houston "Chronicle." (Mr. Jones' views on the subject were described in an interview with the "Financial Chronicle" published in the issue of Nov. 15, 1945 on page 2323.)

Mr. Crowley left the government service reportedly after the development of sharp differences of opinion as to the continuation of lend-lease. Mr. Baruch has been urging a national inventory of this country's resources before Congress embarks on any further large lend-lease program.

Stephens & Walker With Paul H. Davis

CHICAGO, ILL.—Paul H. Davis & Co., 10 South La Salle Street, members of the New York Stock Exchange and other exchanges, announce the association with them of Donald B. Stephens as Manager of their trading department and Clifton P. Walker, Jr. in their research department.

Mr. Stephens' association with the firm was previously reported in the "Financial Chronicle" of Jan. 10.

Wisconsin Co. Promotes Three Branch Mgrs.

MILWAUKEE. — The Wisconsin Company, 110 East Wisconsin Avenue, has announced the reelection of Robert A. Baird as president; he has been head of the firm since 1920 when it was established as successor to the bond departments of the First National Bank and the Wisconsin National Bank.

Alan C. Hackworthy, recently made manager of the firm's Madison office, First National Bank Building, was elected assistant vice-president. He has been with the company since 1935.

Richard J. White with the firm since 1932 and in charge of the Oshkosh office, was elevated from assistant vice-president to vice-president.

Paul J. O'Brien, in charge of the Wausau office and connected with the firm since 1922, was appointed assistant vice-president.

Bernhard Seligmann Forming Own Firm

MILWAUKEE, WIS.—Bernhard F. Seligmann & Co. with offices at 735 North Water Street to engage in the investment business For many years he was associated with Givan Company in charge of local markets.

Prout and Sterling With Carter H. Corbrey & Co.

CHICAGO, ILL. — Harold B Prout and Adolph E. Sterling have become associated with Carter H. Corbrey & Co., 135 South La Salle Street. Mr. Prout was for many years a wholesale representative with Smith, Burris & Co. and recently was with Slayton & Co. in their Chicago office Mr. Sterling has recently been in the military service and prior thereto was with Joseph F. Dixon & Co.

Olivo, Holahan & Co. Will Open; NYSE Firm

Anthony T. Olivo will acquire the New York Stock Exchange membership of the late Norman Gunn and will form Olivo, Holahan & Co. in partnership with Joseph R. Holahan, as of Jan. 31. Mr. Olivo and Mr. Holahan will be general partners in the firm, which will be located at 30 Pine Street, New York City. Frances S. Weekes and Florence N. Rheinstein will be limited partners. Mr. Olivo was previously a partner in T. Sloan Young & Co.

Real Estate Securities

News on Various Issues

WE HEAR THAT:

New York Title and Mortgage Company Series C-2 Trustee has sold the Hampshire House for $3,550,000 with all cash above the existing mortgage. This will provide sufficient cash to make a principal payment of approximately $100.00 on each original $1,000 certificate. It has not been determined whether an interim distribution will be made or wether it will be paid on the semi-annual interest date June 30. The distribution will reduce each certificate to an unpaid amount of $570.00.

79 Realty Corporation will make an interest distribution of $37.50 per $1,000 bond on Feb. 1. The previous payment made on Feb. 1, 1945 amounted to $25.00 per $1.000.

Alden Hotel Corporation in addition to a 2% interest distribution on Feb. 1 will provide about $40,000 to be used as a sinking fund for purchase and retirement of bonds. The 1945 sinking fund was approximately $39,000 but included about $16,000 real estate tax refund.

The Lombardy which during 1945 reduced the 3-5's $250.00 by a pro-rata distribution from proceeds of a prior lien placed upon the property will make an interest distribution of $16.50 on each $750.00 bond on Jan. 31.

Hotel Drake Corporation has asked bondholders to consent to amend the trust indenture so that it would not be possible to separate the shares of stock from the bonds, so that the bonds might be sold or transferred while the stock was retained, or the stock sold or transferred while the bonds were retained, or the bonds and stock sold separately or both retained, all in accordance with the individual desire of each holder of the bonds and stock. To acomplish this result, consents must be given by the holders of at least 66⅔% in aggregate principal amount of bonds outstanding.

Broadway Motors Building will make an interest payment of 4% on Feb.1. Payment consists of the regular 2% semi-annual payment plus 2% to bring the total annual payment to 6%.

S. S. Colt Addresses Quarter Century Club Of Bankers Trust

The annual dinner of the Quarter Century Club of Bankers Trust Company employees, was held at the Hotel Brevoort. One hundred and sixty members heard an informal address by S. Sloan Colt, President of Bankers Trust Company. The active membership is made up of 180 officers and employees of Bankers Trust Company who have been with the bank continuously for 25 years or more. Twenty-four members qualified in 1945. The six honorary members include Mr. Colt and five directors: Cornelius Bliss, Henry J. Cochran, Fred I. Kent, Paul Moore and Daniel E. Pomeroy. The following new officers of the Quarter Century Club were installed: Godfrey M. Meyer, President; William R. Foiles, Vice-President and Mary L. Wallace, Secretary. The retiring officers of 1945 are: Harry H. Martin, President; Peter J. Dugan, Vice-President and M. Agnes Sloan, Secretary.

Scores Government Partisanship In Labor Disputes

By CHARLES M. WHITE*
President, Republic Steel Corporation

Steel Company Executive Reviews Progress of Governmental Favoritism Towards Organized Labor Which, He Contends, Has Given Labor Great Arbitrary Power at the Expense of the Balance of the Nation. Lists as Factors Creating Labor's Monopolistic Control (1) Bias by Government Boards and Bureaus; (2) Bias by Courts; (3) Bias by Local Law Enforcement Officials; and (4) Absolute Lack of a Broad Coordinated Labor Policy. Holds Government Has Assumed Exclusive Rights of Management and Displaced Collective Bargaining, and Urges a Return to Fundamental Collective Bargaining, With Full Responsibilities Placed Upon Labor Unions and Employers Alike. Wants Unions Made Amenable to Anti-Trust Laws and Calls for Opposition to Union Political Activities.

In one of the Cleveland papers on Jan. 4—the day following President Truman's recent talk—there was an editorial, the text of which was, "For they have sown the wind, and they shall reap the whirlwind."

C. M. White

To me this statement symbolizes Government interference in labor relations and the results which have come from this unwise policy. Certainly the wind has been sown and today we are reaping the whirlwind. We are seeing the climax of half a century of progressively biased legislation designed to benefit one group—organized labor.

In that half century only one law has been passed which even remotely curbs the undue privileges given to labor. That, oddly enough, was passed during President Roosevelt's administration but over his veto, and legalized the National War Labor Board which had previously been created by executive order. It is the War Labor Disputes or Smith-Connally Act.

This law, as you remember, forbade the calling of strikes in plants operated by the Government, provided for a strike vote, and stopped campaign contributions by unions for the duration of the war.

Government first indicated its interest in labor as a group when, in 1884, it created the Bureau of Labor in the Department of the Interior.

Through a process of evolution this Bureau finally emerged in 1913 as the Department of Labor, headed by a cabinet member.

It was the railroads which were first the subject of labor legislation. This began more than half a century ago in the eighteen-eighties.

At about the same time the Anti-Trust Act prohibited restraints on interstate commerce, which the Supreme Court held applied to strikes and boycotts when they were designed to accomplish such interference.

Several provisions were included in the Clayton Act in 1914 at the insistence of organized labor to free it of some of the restrictions of the Anti-Trust Act.

In 1932 labor made another attempt and through the Norris-LaGuardia Anti-Injunction Act was freed from the penalties of the Anti-Trust Act.

In 1933 the National Industrial Recovery Act was passed by Congress.

Most, if not all, of you have had experience with its provisions. Briefly, it was planned to regulate all industry under voluntary codes or through Government licenses, to fix minimum wages and maximum hours, to guarantee workers the right to organize and bargain collectively, and prohibit employers from engaging in unfair labor practices. The rights of the employer were accorded some recognition in this Act.

The following year President Roosevelt was given power to appoint labor relations boards to carry out the provisions of the National Industrial Recovery Act.

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*An address by Mr. White before the General Session of the National Industrial Conference Board, Waldorf-Astoria Hotel, New York City, Jan 7, 1946.

Murray Accuses Big Business of Evil Conspiracy

CIO Head States Over Radio That Steel Executives Refused to Bargain With Union, but Refers to Negotiations Resumed at the White House. Says Industrial Magnates Want a Status Wherein Millions Are Unemployed. American Iron and Steel Institute, Whose Members Employ 95% of Steel Workers, Accuses Unions of Violating "No Strike" Clause in Contracts.

In a radio address on the evening of Jan. 21, Philip Murray, President of the United Steel Workers and head of the CIO, appealed for public support of the strikers in the steel, automobile and electrical industries. He accused the executives of the big corporations as engaged in "an evil conspiracy" to produce unemployment and force wages to lower levels "for the benefit of these large corporations" and referred to the tax "kick backs" which they gain "under laws written at their behest." He also asserted that American industries were "fattened with war profits" and "are out to destroy labor unions, to provoke strikes and mulct the American people through uncontrolled profits and inflation." Mr. Murray made no reference in his address regarding "no strike" pledges in the existing contracts with the manufacturers, but in a public statement, the American Iron and Steel Institute, whose members employ 95% of workers in the steel industry, quoted the following clause taken from a typical contract:

Philip Murray

"During the term of this agreement, neither the Union nor any employee, individually or collectively, shall cause or take part in any strike or other interruptions or any impeding of production at any plant of the Company covered by this agreement. Any employee or employees who violate the provisions of this Section may be discharged from the employ of the Company in accordance with the procedure of Section 8 of this agreement."

The text of Mr. Murray's radio address as recorded and transcribed by the New York "Times" is as follows:

Our nation tonight faces a very serious crisis. Hundreds of thousands of American workers are idle in the steel, automobile, electrical manufacturing and meat packing industries.

The request of the workers involved in these disputes is for a wage increase. But the issue which has been drawn by the corporations is of much graver importance to the American people. The outcome of the present

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Ohio Municipal Comment

By J. AUSTIN WHITE

Everybody is exclaiming about how high the municipal market is today. Despite all the hullabaloo about high prices, a careful comparison indicates that, on the whole, prices at which Ohio municipals are selling today are no higher than the prices that prevailed for several months of 1945—during April, May and June of 1945.

Of many new issues that have been sold in Ohio during the past several weeks, during all of which time the general municipal market has risen steadily, probably the issue which sold at the highest price was a total of $1,042,000 Marion, Ohio, bonds sold Saturday, Jan. 19. Of these bonds, $642,000 due 1947-71 sold as 1¼s along with $400,000 due 1947-66 as 1s on an all or none basis at 101.17.

J. Austin White

This may appear to be a high price indeed, but it may not seem so terribly high when compared with a sale last May 17, 1945, of $310,000 Bexley School District, Ohio, bonds due 1946-65 as 1s at about 100½.

Of course, possibly Bexley should sell higher than Marion, but the market these days makes little distinction in price between quality, or anything else anymore. And, the truth of the matter is that the Bexley issue did sell higher last May than the Marions sold last Saturday.

Another comparison might be made with a sale made last July 23, 1945, of $3,000,000 Cincinnati School District bonds due 1946-69 as 1s at 101.08, and a sale July 30, 1945, of $2,815,000 Hamilton County's due 1946-67 as 1s at 100.535. (Admittedly both Cincinnati and Hamilton County should sell higher than Marion, but present market prices may not actually be too far apart). Some of the Hamilton County bonds from this issue are still available in the market at the time of this writing.

Comparison of Prices Today and Last Year on Smaller Issues

Now, let us compare the present prices at which the many smaller school districts in Ohio are now selling new issues with the prices at which similar issues sold last year. The issue of this type which has probably sold at the highest price this year was the sale on Jan. 8, 1946, of $250,000 Jackson Township School District, Franklin County, due 1947-71 as 1¼s at 100.89. Some other similar new issues have sold lately as follows: $275,000 Madison Township School District, Montgomery County, due 1947-69 sold 1/7/46 at 1¼s at 100.53; $100,000 Washington Township School District, Franklin County, due 1947-71, sold 1/14/46 as 1¼s at 100.18; $164,000 Gorham-Fayette School District, Fulton County, sold 1/18/46 as 1¼s at 100.29.

Such issues were apparently selling for even higher prices last April, May and June. On June 6, 1945, Anderson Township School District in Hamilton County sold $350,000 bonds due 1946-69 as 1¼s at 101.07. On June 8, 1945, Bellevue, Ohio, sold $175,000 bonds due 1946-75 as 1¼s at 100.78. While these two issues brought the highest prices for such type of bonds last year, there were several other similar issues selling last year at prices equally high as, if not actually higher than, the prices at which such bonds are selling today. On 5/19/45 Geauga County sold $75,000 bonds due 1946-70 as 1¼s at

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Ohio Treasury Has Over $200,000,000

The State of Ohio's treasury balance stood at $200,181,352.04 on Jan. 15, the first time in the State's history that such a formidable figure obtained. In announcing the balance—which is not to be confused with the surplus—, State Treasurer Don H. Ebright stated that the total was about $65,500,000 more than existed a year ago and compared with an aggregate of $190,169,458 at the end of 1945.

Included in the $200,181,352 total is $70,000,000 in inactive bank balances, nearly $95,000,000 in United States Government bonds and $35,000,000 in cash and active deposits. A breakdown showed that $154,215,557 was in general fund revenues, $17,740,009 in highway funds, $11,687,429 in liquor funds, and $6,805,655 in the poor relief account. There were also a number of smaller accounts.

Held on Securities Charge

COLUMBUS, OHIO—Ernest Cornell, Securities Commissioner for Ohio, announced the arrest of J. Calvin Reese, president of the State Building & Loan Co., and George T. Currier, a licensed securities dealer, both of Columbus, on charges of obtaining money under false pretenses and making false statements on the solvency of banks or the value of stocks and bonds. They were specifically accused of persuading stockholders to sell them shares in the Old Fidelity Bldg. Loan & Savs. Co. at depressed prices by representing the company as being in bad financial condition and holding mortgages on properties in poor districts. Mr. Cornell said that Reese gained control of the Old Fidelity company and changed its name to the State Building & Loan.

Mrs. Roome Dead

Mrs. Katherine Roome, wife of Kenneth Roome, a partner in the brokerage firm of Hardy & Co., 30 Broad Street, New York City, was found suffocated after she had been trapped by a fire that destroyed their home in Tenafly, New Jersey.

Ohio Municipal Price Index

Date—	*	†	‡	§
Jan. 16, 1946	1.24%	1.39%	1.03%	.30%
Jan. 9	1.27	1.43	1.11	.32
Jan. 2	1.28	1.44	1.12	.32
Dec. 26, 1945	1.28	1.44	1.12	.32
Dec. 19	1.29	1.45	1.13	.32
Nov. 14	1.32	1.50	1.15	.35
Oct. 17	1.36	1.54	1.18	.36
Sep. 19	1.38	1.58	1.18	.40
Aug. 17	1.40	1.62	1.17	.45
July 18	1.22	1.42	1.02	.40
June 13	1.21	1.39	1.02	.37
May 16	1.19	1.35	1.02	.33
Apr. 18	1.19	1.34	1.03	.31
Mar. 14	1.27	1.43	1.11	.32
Feb. 14	1.30	1.47	1.14	.33
Jan. 17	1.33	1.49	1.17	.32
Jan. 1, 1945	1.34	1.50	1.18	.32
Jan. 1, 1944	1.41	1.58	1.23	.35
Jan. 1, 1943	1.83	2.01	1.65	.36
Jan. 1, 1942	1.92	2.13	1.70	.43
Jan. 1, 1941	1.88	2.14	1.62	.52
Jan. 1, 1940	2.30	2.58	2.01	.57
Jan. 1, 1939	2.78	3.33	2.24	1.09
Jan. 1, 1938	2.98	3.42	2.55	.87

*Composite index for 20 bonds. †10 lower grade bonds. ‡10 higher grade bonds §Spread between high grade and lower grade bonds.

Foregoing data compiled by J. A. White & Co., Cincinnati.

Ohio Brevities

Offering of 129,966 common shares, $5 par value, of Automatic Canteen Co. of America, was "beautiful and smooth," according to the members of the underwriting group.

Hornblower & Weeks and Central Republic Co., Inc. both of Cleveland, and associates offered the stock at 23½. On the morning of the offering the stock had reached 25.

Other Cleveland firms in the syndicate included Paul H. Davis & Co., Merrill Lynch, Pierce, Fenner & Beane, and Paine, Webber, Jackson & Curtis.

The company said proceeds from the sale of 21,912 shares of the total will be added to working capital for general corporate purposes, including the acquisition of canteens and replenishing the types of candy, gum and nut canteens. The company also is planning to acquire a new type of candy canteen, a soft drink canteen and a canteen grill for vending hot sandwiches.

The balance of the stock is being sold by trusts and individual stockholders. Company intends to apply for listing of its 450,000 shares on the New York Stock Exchange.

Barium Steel Corp. of Canton, O., has reported it plans to acquire control of Republic Industries, Inc., operating four manufacturing companies with plants in Cleveland, Detroit, Toronto and Pottstown.

Next Monday, Barium stockholders will meet to vote on a proposed increase in authorized shares from 1,000,000 to 2,500,000. Six hundred and fifty thousand of the shares would be applied to finance purchase of the companies which would boost Barium's total concerns to 10 in diversified lines.

The Cleveland companies are Jacobs Aircraft Engine Co. and Porcelain Steels division.

The companies all produce stampings, principally for the automobile industry, airplane engines, aircraft and hydraulic equipment and marine engines.

* * *

Society for Savings Bank announced the election of Mervin B. France, first vice-president, as a member of the board of trustees and the promotion of D. James Pritchard to assistant vice-president and assistant secretary.

Robert D. Fisher has resigned as secretary of Cleveland-Cliffs Iron Co. and Cliffs Corp. of Cleveland, to assume the position of financial vice-president of the University of Southern California, President E. B. Greene of Cleveland-Cliffs announced.

In his newly-created post. Fisher will be responsible for all of the financial and business affairs of the university, including management of a large building program to be started.

Prior to joining the Cliffs companies, Fisher had been vice-president of Western Reserve University where he served for eight years. He is a graduate of Western Reserve Law School.

* * *

Cleveland's five largest banks recorded historical peaks in total deposits and resources, according to year-end statements.

Boosted savings accounts were the principal reason in pushing deposits in these banking houses to a record $2,220,589,268, a gain of almost 188 millions from September 30 and compared with $1,989,777,971 at the end of 1944.

The banks exhibited resources of $2,354,127,000, surpassing the previous high of $2,240,467,000 set at the end of the June quarter last year.

Other categories reaching new tops were U. S. Government holdings of $1,365,437,000 and total loans of $526,559,000.

The five banks are the Cleveland Trust Co., National City Bank, Central National Bank, Society for Savings and Union Bank of Commerce.

Individually, the Cleveland Trust moved up to 16th largest bank in the country as deposits climbed to $1,052,732,000, establishing it as the first billion-dollar bank in the Fourth Federal Reserve District. In savings deposits, the bank is sixth largest in the U. S.

* * *

President Charles J. Stillwell has announced that Warner &

(Continued from page 382)

Ohio and Michigan Bar New Kaiser Stock Sale

Dealers in the States of Ohio and Michigan will be unable to participate in the sale of the new issue of 1,800,000 shares of $1 par stock of the Kaiser-Frazier Corp., which was offered for public subscription on Jan. 23 by a syndicate headed by Otis & Co., Cleveland, at a price of $20.25 a share.

According to the Associated Press, the Assistant Director of the Ohio State Securities Division disclosed that Otis & Co., had withdrawn its application to register the stock, after the division had asked for further information to show whether the new automobile company's financial condition had improved sufficiently to warrant the increase in price of the new shares as compared with that at which the initial issue was sold. The ban on sales in Michigan, the press association reported, results from the provisions of the State's Blue Sky laws which requires that stock issues subsequent to the initial financing must not amount to more than 20 times the corporation's earnings. The Kaiser-Frazier Corp., has not as yet gone into production.

NASD District 10 Elects Joseph Head

CLEVELAND, OHIO—John E. Joseph of John E. Joseph & Co., of Cincinnati, was elected Chairman of the District No. 10 Committee (for Ohio and Kentucky) of the National Association of Securities Dealers, Inc.

Mr. Joseph, who has served on the committee for two years, succeeds Edward E. Parsons, Jr., secretary of Wm. J. Mericka & Co., of Cleveland, according to Sheldon D. Clark, Secretary of District 10.

New members of the committee are Harold L. Emerson, President and Treasurer of H. L. Emerson & Co., Inc., Cleveland, and Alvin J. Stiver, President of Saunders, Stiver & Co., also Cleveland, and Oliver Goshia of Goshia & Co., Toledo.

Mr. Emerson, past Chairman of the Northern Ohio Group of the Investment Bankers' Association of America, has been in the securities business since 1919. He was district manager in Cleveland for Chase, Harris Forbes Corp. until he organized his own firm in 1933. Stiver, who started his company in 1931 after entering the securities business with the old Union Trust Co. in 1924, is a director of the Cleveland Stock Exchange and secretary-treasurer of the Northern Ohio Group of I. B. A.

Firm Name Will Be McLaughlin Reuss Co.

Harold S. Baird will retire from partnership in McLaughlin, Baird & Reuss, 1 Wall Street, New York City, members of the New York Stock Exchange, on Jan. 31 on which date the firm's name will be changed to McLaughlin, Reuss & Co. Alvin J. Delaire will acquire the Exchange membership held by Mr. Baird.

The Tragedy of Industrial Conflict

By C. E. WILSON*

President, General Electric Company

Leading Industrial Executive Asserts That When Million Men Walk Picket Lines "It Is Another Atomic Bomb Which Threatens Our Existence." Holds That When Industrial Strife Exists We Live in Unpleasant and Tragic Hours and Must Avert It Before It Destroys Us. Calls for a More Tolerant Attitude in Management-Labor Disputes and Accuses Union Leaders of Villification. Says We Have Lost Our War Unity and Strength and Are Lashing Out in All Directions With No Clear-Cut Enemy and the Wounds and Scars Will Be Worn for a Long Time. Attacks Labor's Demands as Inconsiderate of Economic Factors and as Being Tantamount to Giving Up the Enterprise System.

Just about a year ago things were very different with us. So much has happened to the United States of America in 12 months, so much that will be written in bold letters down the years by historians, that it seems almost inconceivable. Three years of World War had shocked and hammered us into the greatest fighting and producing machine that the world has ever seen—or ever will see, for that matter, because by the very nature of things that kind of war will never again be waged. In spite of our armadas of thousands and thousands of planes, in spite of a fleet grown to such proportions that the mighty British Navy became little more than one of its associated task forces, in spite of radar and jet propulsion, and rocket bombs, and bazookas, and a thousand other refinements and progressions in the art of destruction, this was a conventional war, conceived and directed along traditional lines, with the marshaling of defense and attack and the measuring of force by force, steel against steel, and man against man. It was a tremendous, deafening, catastrophic, tragic spectacle—but differing only in degree from those which preceded it in human history.

Charles E. Wilson

A year ago we were very tired of war, tired of our mounting dead, tired of the everlasting effort required to hold up our end, physically tired of the vast expenditures of courage and determination, tired of frustration and deprivation. And the end, if you will remember, did not seem so very near. In Europe our armies were battered and bruised from the Battle of the Bulge, and at home our confidence was shaken. In the Pacific we were heartbreakingly far from our goal. If we had one great holiday wish, as a nation, it was to be rid forever of this conflict in which we were engulfed—rid of it victoriously, to be sure—but rid of it none the less.

Then, in a few short months, the miracle had happened ad we had our wish. We have it now, this peace for which we fought so hard. We are standing on the threshold of the Golden Age, the rude blueprints for which we used to inspect and redraft furtively during the battle, in order to keep up our spirits and remind ourselves that things were going to be better, just over the hill. This is our peace—how do you like it?

There is only one thing that brings such a group as this together, or any group of alumni from an institute of higher learning, and it is not pure nostalgia or simple gregariousness. You are here because you are a product of the organized itch for knowledge, richly endowed by generations of tough-minded men who were not content with the status quo, either in the world at large or within themselves. You are here not simply because you went to school and want to recall some of the gifts and experiences which resulted—but because of the conviction that others must follow you now and next year and next decade, and the traffic along this highroad must never cease to move forward. Particularly in your case, it seems to me, you are here because of the future which is unfolding, and not merely to commemorate the past with social pleasantries. And tonight — how do you like as much of that future as you can see?

All of us have earned our honorary degrees as doctors of hindsight, or almost all of us. There

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*An address by Mr. Wilson before the Clarkson College Alumni, Jan. 19, 1946.

NSTA Notes

BOREN BILL

The Hon. Lyle H. Boren, Congressman from Oklahoma is working to have the Boren Bill acted upon by the Interstate and Foreign Commerce Committee. So many issues have been before Congress that the Boren Bill is being side-tracked for those issues to be considered. Public interest in the Boren Bill will urge the committee to action and you are requested to write to Hon. Clarence F. Lea, Chairman, Interstate and Foreign Commerce Committee, Capitol Building, Washington, D. C., urging him to call a meeting of the committee for the purpose of voting on the Bill. You will also please urge and request other people to write similar letters, especially people with political influence.

The Boren Bill is important to corporate traders as well as to municipal traders, and all members of our organization should do what they can to help its passage.

BALTIMORE SECURITY TRADERS ASSOCIATION

The Baltimore Security Traders Association announces that its annual midwinter dinner will be held on Jan. 25, at 7:30 p.m., at the Lord Baltimore Hotel. J. W. Butler, Baker, Watts & Co. is chairman of the entertainment committee.

SECURITIES TRADERS ASSOCIATION OF DETROIT AND MICHIGAN

The Securities Traders Association of Detroit and Michigan, Inc., announce the appointment by the National Association, of Edward T. Bennett, Jr., of M. A. Hanley & Co., to the National Corporate Securities Committee of the Association, and Harold R. Chapel, of McDonald-Moore & Co., to the Publicity Committee. Paul I. Moreland, President of the Detroit unit, announces the appointment of John K. Roney, of Wm. C. Roney & Co., a former President, as National committeeman from Michigan, and Herbert J. Schollenberger, Jr., as Alternate Committeeman. Mr. Schollenberger, who recently returned from the Service, is back at his former post with Campbell, McCarty & Co.

THE OXFORD CASE

The Corporate Committee of the National Security Traders Association, of which Victor Mosley, Stroud & Company, Philadelphia, is Chairman, is studying carefully the Oxford case which, at least by inference, defines in the opinion of the Securities and Exchange Commission, brokerage and principal transactions. This matter will be taken up at the meeting of the National Committee in Chicago on Jan. 30, at which time, after a thorough study by counsel, it will be determined what action, if any, to take in this particular regard.

Mr. Mosley in a letter to the 2,300 members of the NSTA said:

To All Members:

"On Friday, Jan. 4, 1946, (SEC Release 3769), the Commission announced revocation of Broker-Dealer registration of the Oxford Company, Inc., Washington, D. C., undoubtedly with justification, but bringing forth, in no uncertain manner, the so-called 'riskless transaction' theory.

"The officers of your association and members of the committee are closely following this matter and have discussed it with numerous people, both in and out of the Commission. The following extracts are from the release:

"'A firm which makes a purchase to fill an order solicited by it when it knew it did not have the securities on hand is making that purchase for its customers—in fact and within the meaning of the Act. Such a transaction is, therefore, a brokerage transaction under the statute. . . .

"'Under these circumstances the firm must fulfill the obligations of brokerage in the transaction: among other things, to refrain from acting adversely, to refrain from taking secret profits, to make the best deal for the customer at the best price obtainable, and to confirm as agent making specific disclosure of the amount of its remuneration. . . .

"'The decision initially made by the firm to recommend the purchase of a security which it did not own was a voluntary decision which committed the firm to the role of brokerage.'

"The importance of this matter should demand the immediate attention of all bodies and associations of the Security business. Communications or recommendations as to courses of action, will be welcomed by the committee."

Wm. Devine Asst. Treas. For W. E. Pollock & Co.

Wm. E. Devine has been appointed assistant treasurer of Wm. E. Pollock & Co., Inc., 20 Pine Street, New York City.

Simon to Admit Moch

ST. LOUIS, MO.—I. M. Simon & Co., 315 North Fourth Street, members of the New York and St. Louis Stock Exchanges, will admit Edgar J. Moch, Jr., to partnership as of Jan. 31.

Ohio Brevities

(Continued from page 381)

Swasey Co., Cleveland machine tool builders, is entering the road machinery field with the manufacture and sale of a new grading machine to be known as the "Gradall."

The machine, which is of a design permitting earthmoving in places not ordinarily accessible to previous types of excavating equipment, is the invention of Ray Ferwerda, a Cleveland contractor, and Warner & Swasey is licensed to build the machine under his patents.

The machine, hydraulically operated, has an expandable 24-foot loom of arc-welded construction, utilizing the welding technique, and experience gained by Warner & Swasey during the war in the manufacture of radar antennae.

"Field results have convinced us that this machine will be an excellent item to supplement our regular machine tool business," Stilwell stated. "Production in our plant is just now getting under way and the machine is not expected to be ready for market until the middle of the year."

* * *

Elmer L. Lindseth, president of the Cleveland Electric Illuminating Co., and George Buffington, bank executive vice-president, were elected new directors of National City Bank.

Bank shareholders increased capital stock of the bank from $9,000,000 to $10,000,000 by declaring a stock dividend of 62,500 shares of common, payable one share for each 9 shares outstanding. The stock will be distributed on or about Feb. 4.

* * *

George C. Brainard, new president and general manager of Addressograph-Multigraph Corp., of Cleveland after 18 years at the helm of General Fireproofing Co. of Youngstown, has been reappointed chairman of the board of directors of the Federal Reserve Bank of Cleveland and Federal Reserve Agent in the Fourth District for the eighth straight year.

* * *

C. J. Laufersweiler and Robert H. Anderson have purchased the Cleveland factory branch of Bendix Home Appliances, Inc., and have been made sole distributors of the Bendix Automatic Laundry. The company will be known as Northern Ohio Appliances, Inc.

Will Form Reimer Co., New Exchange Firm

Reimer & Co. will be formed as of Jan. 31 with offices at 48 Wall Street, New York City. Partners will be Otto B. Reimer, member of the Exchange, Harry R. Engeman, who will acquire the membership of Mr. Reimer, general partners, and Rudolph Reimer, limited partner. Mr. Reimer has been active as an individual floor broker. Mr. Engeman was a partner in Pershing & Co.

Dean Witter & Co. to Admit Four Partners

SAN FRANCISCO, CALIF.—Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges and other leading Exchanges, will admit Douglas G. Atkinson, Talbot P. Kendall, Philip J. FitzGerald, and Frank F. Walker to partnership on Feb. 1. Mr. Atkinson was formerly a partner in Stewart, Scanlon & Co.

Expansion of Export-Import Bank in Offing

By HERBERT M. BRATTER

Writer Quotes From President Truman's Message as Giving Indication That the Lending Authority of the Export-Import Bank Will Be Expanded Beyond the $3.5 Billion Statutory Limit. Sees Delay in Initiation of International Bank for Reconstruction and Development and a Consequent Heavier Burden on Export-Import Bank, and Notes New Personnel Taken on to Meet Expanded Operations.

In an address before the District of Columbia Bankers Association on Jan. 21, Mr. Wayne Chatfield Taylor, President of the Export-Import Bank of Washington, predicted that Congress will act favorably on the British loan agreement. Mr. Taylor described the work of the Export-Import Bank and the problems with which it must contend under the disturbed conditions prevailing abroad today.

Herbert M. Bratter

The possibility of a request that Congress increase the loan and guaranty powers of the Export-Import Bank is foreshadowed in President Truman's message to Congress this week. In the budget portion of the message, under the heading "International Financial Programs," the President states that that $3.5 billion credit institution has already in fiscal 1946 negotiated loans totaling $1,010 millions and will probably soon be committed to another $195 millions. Adding the cotton export fund, the Bank will shortly have used up $1.3 billions, "and it is expected that demands on its resources will increase" during the remaining months of this fiscal year. "I anticipate that during the period covered by this budget the Bank will reach this [$3.5 billion] limit . . . I may find it necessary to request a further increase in its lending authority at a later date," the President added.

The Budget message does not say definitely that such a request will come sometime during the next fiscal year. But usually well informed sources in Washington foresee the possibility that the request may come within the next

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Lays Shirt Scarcity to OPA

Gordon K. Creighton, of NRDGA, Holds Low Priced Apparel Items Ought to Be Progressively Decontrolled Rapidly and "Men's Shirts Would Be a Good Place to Start." Says Materials and Labor Are Available and Full Production Would Soon Bring Prices Back to Normal Level.

A suggestion that OPA use the decontrol method to relieve the current shortage of men's shirts was made on Jan. 21 by Gordon K. Creighton, Assistant General Manager of the National Retail Dry Goods Association.

Gordon K. Creighton

He told the Annual Convention of The Underwear & Negligee Salesmen's Ass'n, in the Hotel Pennsylvania in New York City:

"Such action, following close on the heels of the joint announcement by OPA and CPA last week of 'incentive pricing' of rayon linings for men's suits in order to relieve the shortage there, would be an earnest of OPA's determination to correct the situation speedily. The grave deficiencies in supplies of men's wear which are denying 'civvies' to returned veterans and clothes to men generally call for more realistic policies.

"Thus far, OPA efforts to aid production have been almost nonexistent. It seems to have taken unto itself the right to direct the nation's economy in pathways fixed by limitations instead of the traditional broad highway of production.

"Among the few products which that agency has seen fit to release from its controls are, as of today: magicians' tricks, comb cleaners, shoe horns, manhole covers, glass ice balls for chilling without diluting food and beverages, napkin rings, portable door stops, eyebrow brushes, and cemetery flower vases with invertible insert and designed to be so placed into the ground that the top of the vase is flush with the ground level.

"The OPA also has no objection to the manufacture and sale, without price ceilings, of aluminum horse shoes, toothpicks, sleigh bells and any baseball equipment except balls, bats, gloves, mitts, apparel and shoes.

"The whole situation seems like a bad moment from Alice in Wonderland. Only in our case we can't shout, 'You're only a pack of cards!' and watch our troubles collapse.

"Low-priced apparel items ought to be progressively de-controlled as rapidly as possible. Men's shirts would be a good place to start.

"Millions of veterans, as well as other men, are unable to buy shirts today. There is no lack of cotton, machinery or labor for the making of shirts. But the OPA, for reasons known only to itself, has created a phony scarcity of shirts.

"Now if Mr. Bowles really wants to start giving business—and shirts—back to the common people he can do one of three things:

"1. Take off all price controls from shirts. Shirt makers will flood the market and prices will drop to around prewar levels after an initial advance.

"2. Keep price controls, but lift the 'Maximum Average Price' restrictions which force certain shirt manufacturers to limit their sales even though the goods have been produced.

"3. Accomplish either of the foregoing with white shirts only. This would serve as a guide case to help the OPA determine how best to decontrol the thousands of other items now restrained.

"A limit, such as 'shirts at $5.00 or under', or 'shirts at $4.00 or under', might be required by OPA. But we would begin to get shirts for the long-suffering public. Furthermore, in the light of the experience on shirts, OPA could then proceed intelligently on a program of decontrol of other low-priced apparel."

Upholds Loan to Britain

Executive Committee of American Branch of International Chamber of Commerce Endorses Measure as "A Major Step in the Restoration of World Commerce." Foresees Grave Danger of Economic "Blocs" if Britain Is Not Aided. Says "True Purpose and Effect of the Loan Is to Arrest Trend Toward Nationalization."

The Executive Committee of the United States Associates, International Chamber of Commerce, announced on Jan. 18 its support of the proposed three and three quarters billion dollar loan to Great Britain and recommended that Congress approve the loan agreement.

Announcement of the action was made by Philip D. Reed, Chairman of the United States Associates and Chairman of the Board of the General Electric Co.

The United States Associates is the successor, in broadened and reorganized form, of the old American Section of the International Chamber of Commerce. The membership of the United States Associates includes individual business concerns and leading national business organizations, among them the National Foreign Trade Council, the National Association of Manufacturers, the American Bankers Association and the Chamber of Commerce of the United States.

The statement of the Executive Committee follows:

STATEMENT ON PROPOSED BRITISH LOAN

By the Executive Committee of United States Associates, International Chamber of Commerce, Jan. 17, 1946.

The Executive Committee of the United States Associates has examined the financial agreement between the United States and the United Kingdom, signed Dec. 6, 1945, providing for a $3\frac{3}{4}$ billion dollar line of credit.

The Committee considers financial aid to the United Kingdom and an agreement with the United Kingdom on policies with respect to trade and foreign exchange to be essential to any program for restoring multilateral trade in which we ourselves are so deeply interested. The agreement that is now submitted to Congress is the result of long and careful negotiations by representatives of both governments, and has been ratified by the British Parliament. We believe it should be accepted by our Congress. The conclusions reached from an analysis of the proposal are:

Conclusions

1. The Committee believes that the extension of the line of credit on the terms and conditions proposed would be a major step in the restoration of world commerce and toward the elimination of state direction and control. The forces of private enterprise throughout the world would be strengthened.

2. The proposed loan would by no means solve Britain's fundamental economic problems. That can be done only through rehabilitation and modernization of her productive facilities, and the rebuilding of her export trade on sound and efficient lines. The credit would, however, give Great Britain a breathing space in which to readjust her economy to her new economic position.

3. This credit arrangement must not be regarded as establishing a pattern for similar loans to other countries. For reasons that are stated herein, the British case is unique. The Committee is concerned over the growth of inflationary tendencies in all countries, and urges prudence in the development of our foreign lending program. Excessive lending of public funds will not only mean a heavier burden upon the U. S. taxpayer, but we may find that, instead of financing a sound recovery, we are repeating the experience after World War I when we contributed to financing a boom and generating the

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Railroad Securities

The proposed merger of Alton (in reorganization) and the Gulf, Mobile & Ohio moved a long step forward last week when the final date for filing objections in the United States District Court passed without the filing of any objections. The Court had set Feb. 19 for hearings on any objections to the proposed plan but now with holders of the various affected securities apparently in full accord the whole proceedings will be expedited. There are still a number of mechanical steps to go through but it is generally expected that the proceedings may be consummated and the new securities issued well before midyear. The Alton bonds are to receive $500 in new Gulf, Mobile & Ohio Income 4s, 2044 and 7¼ shares of Gulf common.

Acquisition of the Alton properties will materially improve the status of Gulf, Mobile & Ohio, giving it a through line from Chicago to the Gulf of Mexico at Mobile and New Orleans. The process of growth of this system has been an interesting and profitable one. The start was made in 1933 when the old Gulf, Mobile & Northern leased the properties of New Orleans Great Northern which was just emerging from reorganization with a sharply reduced fixed debt structure. This gave access to the important port of New Orleans. In 1938 the Mobile & Ohio (in reorganization) was merged with Gulf, Mobile & Northern to form the present Gulf, Mobile & Ohio. This step extended the system lines north to St. Louis and was highly important in giving a considerably longer haul on north bound triffic originating on the lines of Gulf, Mobile & Northern and New Orleans Great Northern. Now the Alton is to be acquired, extending the system lines north to Chicago.

It is notable that three of the four properties which will make up the system will have undergone financial reorganization in the process of each of which fixed charges have been, or will be in the case of Alton, drastically cut. It is indicated that fixed charges on completion of the Alton merger will be in the neighborhood of $1,380,000. This is only nominally above the combined charges of the old Gulf, Mobile & Northern and New Orleans Great Northern, and quite a bit lower than the individual charges of either the Alton or Mobile & Ohio prior to reorganization. In other words, taking the old Gulf, Mobile & Northern, which survived the depression without receivership or bankruptcy, and its leased line as a base system mileage will have been trebled since 1938 and a through north-south line created with the addition of only about $200,000 to fixed charges. Moreover, once the Alton merger is consummated it is expected that a refunding operation encompassing most, if not all, of the system non-equipment fixed debt will be undertaken.

Most rail analysts view the post-war business prospects of Gulf, Mobile & Ohio with a large degree of optimism. It has been stated that most of the plants built in the service area for war purposes were financed with private rather than Government capital. Thus their chances of being converted to peace time uses appear good. This is in line with the general industrial growth that was in evidence for many years prior to the war emergencyy. A sustained high level of trade through Gulf of Mexico ports is indicated. Extensive oil development is under way in Mississippi adjacent to the company's lines. This will certainly bring traffic benefits and may also turn out to be an important source of non-operating income as the company has extensive land holdings of its own in the area.

If traffic reaches anticipated levels the earnings prospects will be particularly bright. There are expense benefits from the original Mobile & Ohio-Gulf, Mobile & Northern merger still to be realized. To this will be added economies as well as traffic benefits expected from the Alton merger. Finally, the system as a program for 100% dieselization of its motive power which, it has been estimated, will bring important operating savings. Many rail analysts characterize the Gulf stocks as among the most interesting speculations in the field.

Legal Proceedings Taken to Protect Holders of Tokyo Electric Bonds

Petition Entered in New York Supreme Court for Appointment of New Trustee in Place of Mitsui Bank, Now in Liquidation in New York, So That Measures May Be Taken to Protect Equity of Foreign Bondholders. Proceedings May Set Pattern for Similar Action in Other Defaulted Issues in Axis Countries.

An unprecedented procedure for the protection of American and foreign investors in bonds of the Tokyo Electric Light Co., Ltd., of Japan, will be heard before Justice William C. Hecht, Jr. of the New York Supreme Court on February 4th next. Edna N. Schwarz, a bondholder, acting in behalf of herself and of all holders of like bonds, has filed petition with the Supreme Court to remove The Mitsui Bank, Ltd., of Tokyo, as trustee under the trust agreement which secures the bond issue, and to appoint a successor trustee or trustees.

The original principal amount of the bonds totaled $125,000,000, due 1953, and comprised Dollar, Sterling and Yen series. The petition points out that interest and principal are payable in New York, London and Tokyo, "in time of war as well as in time of peace, whether the holder of the bonds or of the coupons be a citizen or a resident of a state friendly, neutral or hostile to the Government of Japan." The New York fiscal agent of the bond issue is Guaranty Trust Co., and in London the banking firm of Lazard Bros. & Co. Ltd. More than $50,000,000 of the bonds are still outstanding and unpaid.

Louis S. Posner, 170 Broadway, New York City, filed the papers as attorney for the petitioner.

Interest, sinking fund and other major defaults have occurred since Pearl Harbor, and severe war damage has been inflicted upon the underlying properties which constitute the security of the bonds, the petition alleges, but neither Tokyo Electric Light Co. as issuer nor Mitsui Bank as trustee of the bonds is capable of functioning or fulfilling the covenants or fiduciary obligations of the trust agreement.

Pointing out that the Allied Forces of Occupation are in control of the industries of Japan in accordance with the laws of war and that the numerous holders of bonds are scattered throughout the United States, Great Britain and Asia, and unorganized, the petitioner asks the Supreme Court to declare the trusteeship of Mitsui Bank vacant, or to remove it from office, and to appoint a successor trustee

"so that such steps may be taken as may still remain possible for the conservation and reclamation of the lands, rights and properties mortgaged for the security of the numerous bondholders. . . . Such a trustee, vigorous, vigilant and unhampered, is a vital and immediate requisite to afford such protection, to represent and conserve the rights of your petitioner and other bondholders similarly situated, and to minimize the hazards of further and irreparable loss."

The Mitsui Bank conducted a branch office in New York City until the outbreak of the war. It is now being liquidated by the Superintendent of Banks.

On March 26, 1938, the Japanese Imperial Government nationalized the public utility industries of Japan and guaranteed payment of the principal and interest of the Tokyo Electric bonds. At that time that company was serving electric current, according to Moody's Manual, to approximately one-fifth of the entire population of Japan, owned 92 electric generating stations and 24,113 miles of transmission and distribution lines, as well as valuable undeveloped water power sites and large tracts of land.

Mr. Posner expressed the view that while the application as filed by him may have no precise precedent, it is nevertheless based upon well settled and familiar principles of law and supported also by the broad equitable powers which the Supreme Court of the State inherited from the Chancery Courts of England.

It is believed that if the proceedings are successful the way may be found for similar action in other foreign issues which defaulted before as well as during the war.

Murray Accuses Big Business of Evil Conspiracy

(Continued from page 380)
struggle will directly affect every American household.

That is my reason for bringing to you this evening a message from these workers and the members of their families who, aware of the stake involved, are prepared to endure all the hardships and the sacrifices that may be necessary in order that the common people shall enjoy their rightful heritage.

Since the early part of 1942, practically four years, there have been no general wage increases in the large basic mass production industries of our country. But, as you well know, the cost of living since that time has steadily and sharply risen higher and higher.

In part, the rise in the cost of living during the war was met by larger earnings due to increased weekly work time. This, of course, did not mean any increase in their standard of living but simply that they earned more money by working longer and harder and, thereby, increased war production.

Even before V-E Day the CIO endeavored through the medium of the War Labor Board to obtain a general wage increase. We did so because we knew that immediately following V-E and V-J Day there would be a sharp drop in weekly earnings. War plants returning to civilian production and with a looser labor market would eliminate all overtime working hours and accomplish widespread downgrading.

We knew that when this occurred—in the face of the continuous rise in the cost of living—the slash in weekly earnings would bring terrifying and disastrous hardships to the workers.

Government officials, in their public statements, have repeatedly confirmed these fears. It became a national slogan that such a loss in purchasing power would be a direct threat to the nation—that any such development would make impossible an expanding peacetime economy or full production and full employment.

Let me give you one example which of course can be duplicated for countless thousands of plants in all American industry.

In April of 1945, the last full month preceding V-E Day, the average weekly earnings for steel workers was $56.32. The Bureau of Labor Statistics, a Government agency, within the past few days reported that the straight-time average hourly earnings for steel workers in October, 1945, was a little more than $1.08 cents. It is undisputed that the steel industry was operating before the strike, on a forty-hour week without overtime.

This means that at present the weekly earnings of steel workers is $43.48. There has, therefore, been a slash in the weekly earnings of the steel workers since April, 1945, of $12.84. This means that $50 a month has been taken from the steel worker's pay envelope.

Each of you must know what it means to the steel worker—his wife—his children—to suffer this kind of a wage cut—$50 less a month. It means—less food—less clothing—perhaps a hesitancy to call the doctor even though with grave risks.

This bitter experience of steel workers has been the pattern for most wage earners.

Could it be expected that we could have any lasting prosperity in this country in the face of such severe loss in earnings and purchasing power on the part of millions and millions of workers?

The United Steel Workers of America, in September of last year, requested a wage increase of $2 a day, from the steel industry.

This wage increase would have restored, restored only in part mind you, the wage loss already incurred.

The union sought unsuccessfully for a period of four months to engage in collective bargaining.

The steel corporations gave a very sharp and quick answer—no.

Twice the United States Government through Secretary of Labor Schwellenbach requested the United States Steel Corporation to meet with the union in collective bargaining.

On both occasions, the corporation did not even deign to meet with the Secretary of Labor. It refused to join in any conference with him or to meet the union in collective bargaining.

The problem was then submitted to the workers. The United States Government conducted a vote to see if the men wanted to strike. Five out of every six workingmen said—strike. And over a half million workingmen voted.

But we did not strike. Instead the union's national wage policy committee was convened. It voted to set a strike date more than thirty days thereafter, namely, Jan. 14.

During these thirty days the steel corporations made no effort to engage in any collective bargaining with the union. The companies were concentrating on another problem.

They were not content with the two billion dollars of profits which they exacted as their price during the war. Their appetite was not satisfied with the special kickbacks guaranteed under tax laws enacted on their behalf. They wanted further price relief, increasing their exorbitant profits and high-jacking the American people.

Eighty-two hours before the strike deadline, the United States Steel Corporation for the first time agreed that negotiations be resumed with the union.

And for the first time in three months the corporation made an offer, inadequate and wholly unresponsive to the bitter squeeze upon the steel workers of shrinking wages and rising prices.

To show our desire to avoid a strike, the union offered to compromise below the figure to which our members are clearly entitled. The United States Steel Corporation continued to give its tiresome reply—No, no, no.

When negotiations broke off just forty-eight hours before the strike deadline, the President of the United States requested both parties to meet at the White House. At this conference on Jan. 12, on behalf of the union, I submitted a compromise offer. Mr. Fairless, representing the United States Steel Corporation, admitted to its fairness.

He requested a week during which time he proposed to persuade the officials of his own corporation and the representatives of the steel industry to accept it. At the President's urgent request that Mr. Fairless be afforded this opportunity, the strike was postponed for one week.

On Wednesday, Jan. 16, Mr. Fairless and I resumed our negotiations in the White House. The steel industry had sent Mr. Fairless back with a single answer—No.

On Thursday, Jan. 17, the President of the United States submitted to both Mr. Fairless and myself his decision for settlement of the dispute.

His decision was that there be a general wage increase of 18½ cents per hour.

The President of the United States asked that both parties give him their respective replies by noon on Friday, Jan. 18. At the appointed time, the United Steelworkers submitted its reply. We accepted the President's decision.

The wage increase determined by the President would only in part restore the wage cut suffered by the steel workers, but we accepted the President's decision in recognition of the national interest to achieve a peaceful settlement of our dispute.

The steel industry, however, with unmatched boldness rejected the determination of the President of the United States.

The President appealed to the steel industry to reconsider their action. The steel magnates did not even condescend to reply to the President of the United States.

Therefore, at 12.01 this morning the steelworkers of the nation had no choice but to strike.

The struggle is now one which runs far beyond the steelworkers and the steel corporations. It is of the utmost importance to every American that this fact be clearly understood.

American industry, fattened with war profits, guaranteed a high level of profits through special tax rebates under laws written at their behest, have deliberately set out to destroy labor unions, to provoke strikes and economic chaos and mulct the American people through uncontrolled profits and inflation.

They are determined to eliminate, if they posibly can, true collective bargaining between management and labor unions. They are bent to place themselves above all laws and rules of equity and justice.

It is their clear aim to exact unconditional surrender from the American people and the United States Government.

There can be no question but that an evil conspiracy has been hatched among American big business. This conspiracy challenges our very basic democratic institutions.

The General Motors Corporation has, without any qualm, rejected the recommendation of the President's fact-finding panel for settlement of the current wage dispute between that corporation and the United Auto Workers-CIO. The union accepted the compromise proposal.

The steel industry has with equal disdain rejected the decision of the President of the United States for a compromise settlement. The union accepted.

The electrical manufacturing industry similarly has rejected all attempts by the UE-CIO and representatives of the Government to compose their current wage disputes through collective bargaining and meditation.

These industrial magnates do not choose to permit the people to impose any restraint upon their greed. They prefer a status wherein millions of unemployed would be available at ever-decreasing wage levels to be exploited for the benefit of these large corporate enterprises.

Labor unions, as organizations of free Americans who desire to improve their standard of living in the interest of the entire nation, represent a threat to this dream of conquest.

We seek wage increases now to partially restore the pay cuts the workers have suffered since V-J Day. This will mean more food, more clothing, better shelter and better medical service for the common people. This will mean a better and healthier America.

We are confident that in this struggle, so sharply defined by the steel industry through its challenge to the President of the United States, the people in all walks of life, will give their complete and unified support.

Howard Halligan Joins Cyrus J. Lawrence Co.

Cyrus J. Lawrence & Sons, 115 Broadway, members of the New York Stock Exchange, announce that Howard K. Halligan, formerly President of the General Gas & Electric Corporation has become associated with their firm. Mr. Halligan has been connected with the General Gas & Electric Corporation for the past five years and he also was Vice-President of the South Carolina Electric & Gas Company, a subsidiary. Prior to his activities in the public utility field he was with the Chase National Bank and for five years was connected with Minsch, Monell & Company.

Now Stone & Webster Securities Corporation

The name of Stone & Webster and Blodget, Incorporated, 90 Broad Street, New York City, has been changed to Stone & Webster Securities Corporation, Robert H. van Deusen, President, announced. Mr. van Deusen explained that the new name was decided upon to reflect more accurately the Company's relationship with Stone & Webster, Incorporated, of which it is a subsidiary.

For more than 60 years Stone & Webster and Blodget, Incorporated, and its predecessors have taken active part in the securities business. The Company furnishes comprehensive financial services to issuers of securities and to investors; underwriting, and distributing at wholesale and retail, corporate, government and municipal bonds, and preferred and common stocks. The investment house, while separate from the engineering and service divisions of Stone & Webster, Incorporated, is in the unique position of being part of an organization comprised of personnel experienced not only in financing but in engineering and supervision of operations of public utility and other companies.

Stone & Webster and Blodget, Incorporated, was organized on Jan. 1, 1927, through the merger of the securities department of Stone & Webster and the investment house of Blodget & Co. The amalgamation brought together the comprehensive public utility, banking and analysis experience of Stone & Webster and the long experience of Blodget & Co. in marketing railroad, municipal and public utility bonds.

Samuel Gold in Trading Dept. of J. Arthur Warner

Samuel Gold is now associated with J. Arthur Warner & Co., 120 Broadway, New York City, in their New York trading department.

Bank and Insurance Stocks

By E. A. VAN DEUSEN

This Week — Bank Stocks

Despite heavier taxes and increased operating expenses in 1945 compared with 1944, most of the large New York City commercial banks in 1945 showed higher net operating earnings. When net security profits are included, there are few of the banks which do not show improvement over 1944.

The accompanying tabulation shows the net operating earnings and net security profits of seventeen prominent institutions for 1945 compared with 1944, together with the current dividend rate.

	Net Operating Earnings Per Share		Net Security Profits Per Share		Total Net Earnings Per Share (Exc. Recoveries)		Current Dividend Rate
	1944	1945	1944	1945	1944	1945	
Bank of Manhattan	$2.40	$3.12	$0.95	$0.55	$3.35	$3.67	$1.20
*Bank of New York	30.45	33.10	----	----	30.45	33.10	14.00
Bankers Trust	3.65	3.39	0.33	1.85	3.98	5.24	1.80
Central Hanover	7.42	8.79	2.39	2.88	9.81	11.67	4.00
Chase	2.54	2.36	0.47	1.23	3.01	3.59	1.60
†Chemical	3.82	3.08	0.46	1.33	4.28	4.41	1.80
‡Continental	1.77	2.01	1.17	2.22	2.94	4.23	0.80
Commercial	4.36	4.57	0.51	1.23	4.87	5.80	1.60
Corn Exchange	4.54	5.43	----	----	4.54	5.43	2.40
First National	124.27	122.92	----	----	124.27	122.92	80.00
Guaranty	20.35	19.06	5.16	5.75	25.51	24.82	12.00
Irving Trust	1.17	1.32	0.05	0.04	1.22	1.36	0.80
§Manufacturers Trust	6.06	5.32	2.42	1.83	8.48	7.15	2.40
¶National City	2.65	2.84	1.21	1.28	3.86	4.12	1.60
New York Trust	7.03	7.94	3.11	1.48	10.14	9.42	4.00
**Public National	4.47	3.81	----	----	4.47	3.81	1.50
*United States Trust	40.03	43.97	----	----	40.03	43.97	35.00

*Indicated earnings. †2,000,000 shares in 1944; 2,500,000 in 1945. ‡400,000 shares in 1944; 500,000 in 1945. §1,649,922 shares in 1944; 2,062,600 in 1945. ¶Includes City Bank Farmers Trust. **400,000 shares in 1944; 550,000 in 1945.

There are a number of things worthy of special note in this table. In the first place, four banks increased the number of their outstanding capital shares last year, viz., Chemical, Continental, Manufacturers and Public Nation. Direct comparison of earnings per share as tabulated is, therefore, misleading.

For example, in the case of Chemical, the $3.82 in 1944 on 2,000,000 shares is equivalent to $3.05 on present capitalization, compared with $3.08 in 1945; total earnings of $4.28 are equivalent to $3.43, compared with the $4.41 of 1945.

In the case of Continental, the $1.77 of 1944 is equivalent to $1.41 on present capitalization, compared with $2.01 in 1945; total 1944 earnings are equivalent to $2.36, as against $4.20 in 1945. It will be observed that security profits in 1945 were exceptionally good for both Continental and Chemical.

Manufacturers Trust retired all its preferred stock last year, and increased its common shares from 1,649,922 to 2,062,500. Net operating profits of $6.06 in 1944, are equivalent to $4.86 on present capitalization, compared with $5.32 in 1945; total earnings of $8.48 in 1944 are equivalent to $6.80, compared with $7.15 in 1945.

Public National increased its capitalization twice last year; first from 400,000 shares to 440,000 by a 10% stock dividend, and second from 440,000 to 550,000 by a new issue of 110,000 shares. On the basis of the present capitalization of 550,000 shares the reported earnings of $4.47 for 1944 are equivalent to $3.25, compared with the $3.81 of 1945.

With regard to Bank of Manhattan, 1945 net operating profits, to be on a comparable basis with the $2.40 of 1944, should be $2.72, since $0.40 of the $3.12 reported is represented by a tax saving on account of a loss charged directly to a reserve previously set aside.

There are three interesting examples of net operating profits being lower in 1945 than in 1944, viz: Bankers Trust, Chase National and Guaranty Trust. In the case of Bankers Trust, net operating earnings are 7.2% lower, although gross operating earnings as shown in the annual report were 8.5% higher. The drop in net is accounted for by a 20.5% increase in payroll expense, a 16% increase in taxes and an 18.9% increase in total operating expenses.

A similar situation is to be found in Chase. Net operating earnings in 1945 are also 7.2% lower, while gross operating earnings were 8.2% higher. Payroll increase was 9.0%, tax increase was 36.5% and total operating expenses were 16.2% higher.

Guaranty Trust's net operating earnings declined 6.3%, while gross operating earnings increased 13.7%. Payroll expenses increased only 4.5%, but the report shows "other current operating expenses, including taxes" to have increased 48.1%, and total operating expenses, 29.8%.

First National's total reported net earnings were 1.1% lower than in 1944. Since this bank, however, reoprts its operations differently from the other banks, a similar comparison is not possible. Its report does show, though, that gross earnings were about 1% higher, while operating expenses and taxes went up approximately 3%.

The tabulation for the 17 banks does not show "recoveries," which in a few instances were fairly substantial. Generally, recoveries and security profits are credited to "reserves," and in some instances a portion of operating profits have gone to reserves. In the case of Irving, for example, $0.10 of operating profits were thus treated.

What of the outlook for 1946? It seems probable that the banks, as a whole, will enjoy higher average earning assets throughout the year and thus that gross operating earnings will be higher. Operating expenses are likely to be up moderately, but the tax burden should be somewhat easier. Barring any drastic change in the situation, the net result should be generally higher net operating earnings in 1946 than in 1945, exclusive of security profits and recoveries.

A. W. Snyder Resuming Investment Business

HOUSTON, TEX.—A. W. Snyder is resuming his investment business in Houston under the firm name of A. W. Snyder & Co. with offices in the Gulf Building. He was formerly principal of A. W. Snyder & Co., a corporation which was dissolved in 1941 when the members were called into the armed forces.

Scores Government Partisanship In Labor Disputes

(Continued from page 380)

However, it was short-lived. In 1935 the Supreme Court declared it unconstitutional.

Labor has the National Labor Relations Act or The Wagner Act of 1935 which guaranteed the right to organize, required the employer to bargain collectively with representatives of the majority of the workers and prohibited employers from engaging n unfair labor practices.

Other acts written to favor labor were the first Bituminous Coal Conservation Act, the Social Security Act, the Public Contracts Act, and the Minimum Wage and Maximum Hour Act.

Through these legislative acts labor gained great arbitrary power at the expense of the balance of the nation. Labor was given privileges denied to the rest of us. It was freed from legal penalties for acts which were criminal on the part of the rest of us. Labor was not only given the legal right to do certain things, but was definitely encouraged by the administration to follow a course of action which not only skirted the edge of law-breaking, but frequently broke the law. Conversely, the employer was frequently punished for acts beyond his control and for which he had no moral liability.

World War II brought more favors to labor.

In 1941, immediately after Pearl Harbor, the President called a Labor-Management Conference. One of the results of this conference was a pledge on the part of labor to refrain from striking during the war. Labor's pledge not to strike was incorporated in many contracts in a legal and formal way. How lightly labor took its wartime pledge is common knowledge. (*In Republic Steel we have had 412 strikes since we signed a no-strike contract.*)

In return for that pledge labor exacted maintenance of membership and check-off, contending that it was unable to control its members unless it was given this hold over the individual worker.

The War Labor Disputes Act took collective bargaining from the employer and placed it in the hands of a Government agency. No longer did employer and employee sit down and attempt to arrive at a mutually satisfactory arrangement. As soon as the going began to get a little tough, the union invariably carried its case to the War Labor Board where the final decision was made and orders handed down.

This brings my brief factual recital of the historical background of labor legislation up to date. I felt that it was well to review the steps by which organized labor arrived at a point where it can safely defy the Government, impress its own demands on the nation as a whole and set itself up as a great political power which has dominated our legislative processes for more than a decade. This history is the sowing of the wind. We are now reaping the whirlwind.

Factors of Labor's Monopolistic Control

Many factors gave comfort and cheer to the labor leaders as they progressed with startling rapidity toward a monopolistic control. Four important factors were:

(1) The almost unfailing bias of the boards and bureaus appointed to carry out the provisions of labor legislation. Few decisions were ever made contrary to the mounting ambition and mounting demands of labor groups.

(2) The bias shown by the courts in their consideration of the decisions of the boards and bureaus and of their interpretation of the laws as passed by Congress.

(3) The bias on the part of State, county and local officials which results in almost complete breakdown of law enforcement in the case of the labor disturbance.

(4) The absolute lack of any broad coordinated labor policy or program other than one designed generally to further labor's cause. This has resulted in great confusion as the employer had no guide to follow in connection with his labor problems. The decision of one body does not of necessity represent the opinion of a second body.

Let's examine these points a little more in detail.

For instance, an employer discharges an employee for inefficiency, insubordination or some other good cause. A complaint is registered with the National Labor Relations Board. If the Board finds in the employer's record, no matter how remote, any evidence of union opposition, it frequently orders reinstatement of the employee even though the union question did not remotely enter into his discharge. It does this in spite of the fact that the Supreme Court has held this practice improper.

Although a sitdown strike is illegal, the Board forbids discrimination in cases where a union has invoked this action.

The Supreme Court has held that a striker committing a criminal act need not be restored to his former position. The Board, however, generally gives consideration only to felonies and rarely considers acts of violence or other misdemeanors as of sufficient importance to prevent reinstatement of the offending employee.

Although an employer is liable for any action on the part of his

employees, like responsibility does not accrue to labor organizations or to labor leaders. The Board generally assumes that violence in the case of a strike is excusable and understandable because they say they expect a certain amount of brawling on the picket line and the unions rarely fail to live up to their expectations.

Through National War Labor Board directives, the Government has taken away exclusive rights of management, such as upgrading, increased scheduling of forces, etc.

These are but a few of the examples of the bias shown by Governmental agencies and their decisions on matters affecting employer and employee relations. Such decisions have tended to build up a disregard for honest and effective relations between men and management. They have placed Government sharply and strongly on the side of labor and, instead of acting as an impartial judge, Government has become an active partisan working in the cause of organized labor.

Attitude of the Courts

Now let's take the second point which I made; namely, that the courts have given labor advantages and preferences which place it in a favored position.

It was early in 1937 that the Supreme Court, as then and now constituted, first began to show a far-reaching change in its position on the question of labor legislation. In April of that year the Court, by a five to four decision, upheld the constitutionality of the National Labor Relations Act and in so doing reversed many of its own prior decisions on labor.

Jurisdictional strikes, the Court has held, are not necessarily violations of the Sherman Act even though they are carried on to prevent the use of new equipment and force the employment of unnecessary employees.

Violence or threat of violence, the Supreme Court held, does not constitute coercion if it involves the "payment of wages by a bona fide employer."

In one case the Supreme Court ruled that the National Labor Relations Board "was justified in relying on circumstantial evidence of discrimination and was not required to deny relief because there was no direct evidence that the employer knew these men had joined the Amalgamated, was displeased, or wanted to make an example of them."

We are all familiar with the Supreme Court decision in the New York Teamsters case in which it gave almost blanket approval to the tactics used by the union in extorting money from truck owners.

Any lawyer who has dealt with labor cases could extend this brief list many-fold. The indications are clear that the Supreme Court of the United States, as now constituted, seems to have allied itself with the cause of organized labor, even as have some of the executive branches of our Government. In the opinion of many able attorneys the Court has disregarded the Constitution and has hewn a new path of legal procedure designed to promote the welfare of a small chosen group of people.

Lack of Law Enforcement

I am not going to elaborate in any detail on the third point which I have made—namely, a breakdown of law-enforcing bodies of our Government. You are entirely familiar with the Goon Squads of the United Automobile Workers who prowl their course of violence unmolested. Many of you have experienced mass picketing in illegal forms. (Gib Carey can bring you up to date.) I go back to the Little Steel Strike in 1937 when strikers held up the United States mail and fired at airplanes with high-powered rifles.

The record of almost every strike, no matter how inconsequential, is a record of illegal acts by strikers, which the authorities condone in their anxiety to secure the so-called labor vote. This has been a shameful record and one which I hope will be modified. It is not that we have no laws. It is rather that the laws are too frequently not enforced by our administrative bodies when they apply to labor.

Government's Lack of Labor Policy

My fourth point covered the lack of a definite labor policy and the confusion which results. Governor Dewey in his campaign in 1944 told of a labor dispute in a war-time industry which was brought under the jurisdiction of ten different Government agencies. He pointed out that there were four formal hearings in Washington, that seven different briefs were filed by each side, that a year later, a decision was handed down by the War Labor Board, and that before the printer's proof could be received both sides were notified by the National Labor Relations Board that a petition for a new election had been granted.

Another case came to my attention just the other day. The United Automobile Workers were arguing before a fact-finding board appointed by the President that ability to pay must be taken into consideration in fixing wage rates. The fact-finding board agreed with this claim and demanded the submission of the books of General Motors.

On the same day in the Western Union case, the members of the War Labor Board were contending that the War Labor Board was concerned with wages only and not with other economic factors and that if Western Union were unable to pay a decent wage under the rates it was charging for its service, it should raise those rates.

Here we have two Government agencies giving serious consideration in their judicial proceedings to diametrically opposed arguments. How can any employer reach a decision involving a course which he is to follow when we find conflicts such as these?

This partiality on the part of Government and Governmental agencies for the cause of organized labor has led inevitably to the situation which confronts us today. It has been the encouraging factor in literally thousands of outlaw and wildcat strikes in violation of no-strike pledges and agreements, of the absolute lack of responsibility on the part of unions, of the huge loss of wages amounting to hundreds of millions of dollars and an equally huge loss of production.

It has also been responsible for dictatorial demands on the part of unions deliberately planned to encroach upon the prerogatives of management and for a monopolistic growth of labor power in general.

Government has failed, and failed miserably, in what should be its role as an unbiased and impartial agency representing and working for the interests of all the people.

The Remedies

Now what are we going to do about all this?

I've heard and read a great deal of the effectiveness of the Railway Labor Act—that it stops strikes, reduces labor-management disagreements, and results in improved operations.

Can the Railway Labor Act be used as a model? As a matter of fact, fundamentally it differs very little from the fact-finding "cooling off" legislation proposed by President Truman.

But any railroad executive will tell you that the Railway Labor Act has prevented labor upheaval only because concessions and still feather-bedding concessions have been given to the Brotherhoods in virtually every dispute.

There can be no doubt but that the railroads have been free from strikes because the railroad employees have received substantially what they have demanded.

There is nothing to prove that the "cooling off" period of the Railway Labor Act would in any way reduce strikes. Nor is there any evidence that a fact-finding board can be sufficiently impartial to give a just and honest decision. It is only natural that the Board will reflect the opinions of the man who appoints it. If his opinions are of the New Deal variety, the Board will be of the New Deal variety, and vice versa.

Nor can we believe implicitly that public opinion exercised during the "cooling off" period will help reach the correct decision.

The evidence seems to point to the fact that a labor law modeled on the Railway Labor Act will not work unless the same policy of abject compliance to the demands of labor is followed.

What then do I suggest as the answer?

Ideally, we should get back to the fundamental collective bargaining between men and management. By that I don't mean that there shouldn't be unions. But they should be strong and responsible unions. They should be unions which, when their word is passed, can and will live up to it.

Then let the Government watch, if it will, and correct injustices, but refrain from taking an active, partisan part on the side of one or the other.

There are no problems arising that a strong union and a strong company cannot settle through discussion if both sides at the council table are on an equal basis. We cannot reach decisions through collective bargaining if one side has the tact or outspoken support of the Federal Government in making its demands.

I realize that this, perhaps, is too visionary and that in this day and age we will probably never attain this ideal state.

Here, then, is a second program which perhaps is more practical and one on which I believe we could all agree. If this program were carried into effect, we would have a better chance for labor peace, higher production, better standards of living and improved conditions generally. Let me give this program briefly.

(1) True collective bargaining between employer and employee.

(2) The amendment of The Wagner Act or its replacement with a new labor law, fair to employers and employees alike, which would impose responsibilities and penalties upon labor for wrongful conduct, preserve the rights of free speech, penalize both unions and strikers for felonies or mass picketing, insure union responsibility through secret ballots.

(3) Amend the Federal Anti-Trust Laws so that labor unions and their members would be subject to ordinary criminal laws for extortion and other crimes, just as you and I are.

I also believe that there should be an end to compulsory unionization and that an employee should be permitted to join or not to join a union as he might see fit;

That there should be an end to the compulsory check-off of union dues on the basis that unions should be "bought" by their members on merit and not on compulsion;

That there should be no unionism of supervisory employees; and finally,

I believe that the compulsory arbitration of labor disputes deprives management of its right and duty to exercise its own judgment and make its own decisions on important labor matters.

In even discussing the question of Government interference and labor relations, I sometimes feel somewhat like the ancient king who attempted to sweep back the tides with a broom. At other times I feel and believe that we are going to make progress in this vital relationship. I believe that the pendulum which has swung so far to the left is some day going to swing back to the right—not as far to the right as it was in 1920, but still to the right.

I believe that the time is coming when there will be some responsibility forced upon labor unions, when contracts will mean something, when we can sit down and discuss problems together—men and management.

I would not be doing my duty if I did not comment on CIO legislative activities.

The CIO with its PAC is openly spending money for the purpose of electing men to public office who favor the enactment and enforcement of laws strictly on a basis of favoring the CIO. Management, stockholder, policyholder, farmer, professional workers, so-called white-collar workers must unite to either stamp out such un-American tactics, or unite to elect public servants who are avowedly against the minority group which is determined to change our Free Enterprise System into a labor socialistic power or worse.

A Lively Discussion Of Russia's Foreign Policies

A dinner forum on "Russia's Foreign Policy" will be held under the auspices of the Associate Members of the New School at the New School for Social Research on Friday, Jan. 25 at 6:20 p.m. Dr. Bryn J. Hovde, recently inaugurated president of the New School, will be guest of honor.

Speakers include Dr. Ernest J. Simmons, Chairman of the Department of Slavic Languages at Cornell University; James B. Carey, Secretary-Treasurer of the C. I. O., recently returned from the Soviet Union as Chairman of its delegation; Ray Brock, former New York "Times" correspondent and author. Those taking part in the panel discussion following the addresses include Dr. David Dallin, former member of the Moscow Soviet; Max Eastman, author and poet; Andrew Grajdanzev, of the Institute of Pacific Relations; Eugene Lyons, former editor of "The American Mercury," author of "Assignment in Utopia" and "The Red Decade"; and Dr. John Somerville of the Columbia University Travelling Fellowship to the USSR.

A. Wilfred May will preside.

Mutual Funds

"You Can't Invest Money Yesterday"

"An investment program must be geared to the future—not to the past—if it is to be successful," write the Trustees of **George Putnam Fund** in their January Portfolio Review. "Not what you might have done, but how wisely you act now is important."

The Trustees then list some of the things investors could have done with their "careful dollars" **Yesterday** and compare those "good old days" with the opportunities available for the careful investor **Today**.

"Under these prevailing conditions, an increasing number of investors are finding this Fund worthy of serious consideration as a place for their 'saving dollars.' We cannot predict the future, but we can say that money placed in this Fund will be watched over with increasing vigilance by the Trustees in this New Year and that the investment program of the Fund will be kept abreast of the times."

Wellington's Assets at New High

Total assets of **Wellington Fund** at Dec. 31, 1945 amounted to $26,911,309, compared with $16,138,945 at the beginning of the year. This remarkable growth resulted from appreciation in investments and from funds invested during the year by old and new shareholders.

At the year-end there were 1,341,255 shares outstanding with an asset value of $20.09 per share. This compares with 917,945 shares outstanding at the beginning of the year.

Assets were diversified as follows:

		Pct.
Common Stocks	$12,814,973	47.62
Preferred Stocks	5,443,518	20.23
Bonds	3,410,929	12.67
U. S. Government Bonds	4,614,841	17.15
Cash and Accruals	627,048	2.33
	$26,911,309	100.00

Total equity position, including common stocks and those bonds and preferred stocks selected primarily for appreciation, amounted to 60.49% of assets.

Keystone's Investment Timetable

The splendid idea which **Keystone Co.** produced last year in the form of an investment timetable "for the purpose of balancing investment and capital growth accounts in accordance with the relative level of the Dow-Jones Industrial Average" has been revised. It is based on the long-term range of common stock prices and establishes a percentage balance between "defensive" and "aggressive" holdings to cover the entire range. With the Dow-Jones Industrials at 200, the timetable recommends a 65% defensive position and a 35% aggressive position. This compares with a 50%-50% position at the 175 level and an 80%-20% position at the 231 level.

While there is no assurance that the top of the range will be reached or exceeded during the current bull market, it is interesting to note that from the record of past bull markets the Dow-Jones Industrials could logically be expected to equal or exceed the 247 level, at which point Keystone's timetable recommends a 90% defensive and 10% aggressive investment position.

Completion of a Cycle

Over four years ago **Distributors Group** began its now famous campaign to interest dealers and investors in discount railroad bonds. When the campaign started, such bonds were selling on the average at less than half their par values. Today the same bonds are selling at or near par and some have even risen to their call prices.

In a current letter to dealers, Distributors Group suggests that investors who bought these bonds primarily for appreciation should now be informed of their "fully valued position" and of their "limited possibilities for further advance, as contrasted with the outlook for undervalued stocks."

"They Could Have Done Better"

In a current memorandum, **Selected Investments Co.** lists 100 widely held, well-known, prominent stocks which did not do as well in 1945 as **Selected American Shares.** The rise in Selected's asset value amounted to 38% as compared with 27% for Eastman Kodak, 21% for General Electric and 18% for General Motors, to name a few of the 100 stocks listed.

Investment Plan

National Securities & Research Corp. discusses "a way to plan a modern investment program" in the current issue of National Notes. The nine **National Securities Series** are presented in a "Grading Table" which includes the following factors:

1. Capital Stability
2. Income Dependability
3. Amount of Income
4. Profit Opportunity

Each of the nine Series is graded according to its relative position under each of these headings. This detailed rating permits the selection of the various Series according to the degree of emphasis which an investor may wish to place upon income or appreciation.

* * *

In another memorandum **National Securities & Research Corp.** points out that the recent action of the Federal Reserve Board in raising margins to 100% on security purchases does not affect the loan requirements of banks regarding the collateral value of mutual fund shares. Specifically, this sponsor states, that the Empire Trust Company of New York has advised it will continue to make loans of 50% of liquidating value on shares of **National Securities** and **First Mutual Trust Fund.**

Keystone's 14 Years of Progress

During 1945, net assets of the 10 **Keystone Custodian Funds** increased from $105,600,000 to $160,800,000, a gain of $55,200,000. This represents a 52% increase in net assets and does not take into account payment to shareholders of $9,073,000 of realized profits during the year.

Since the inception of the Company in 1932 $43,912,000 of regular and special distributions have been paid to Keystone shareholders. "It may or may not be significant," writes the sponsor, "that the greatest growth in the Keystone Plan has occurred during the period dating from the 1937 decline in the market through the confusing markets of World War II up through the past year, which combined both war and peace markets."

Affiliated Fund

"The Dow-Jones Industrial Average is the Gallup Poll of the stock market—i.e., the most widely accepted measure of its levels and changes," writes **Lord, Abbett** in a current Investment Bulletin on **Affiliated Fund.** The bulletin presents a chart comparing the performance of Affiliated Fund with that of the Dow-Jones Industrials since April 1942.

"As compared with its low point three years ago, therefore, the Dow-Jones Industrial Average would by now have had to move back up to its 1929 high of 387 (185 points higher than its present level) to show a gain equivalent to that made during the same period by Affiliated Fund. Put another way, if Affiliated had only gone up as much as the Dow Average, it would now be but 4.03 instead of 7.65.

Mutual Fund Literature

North American Securities Co.—A revised Prospectus on **Commonwealth Investment Co.** dated Dec. 15, 1945. . . . **Hugh W. Long & Co.**—Revised Prospectus on **New York Stocks** dated Jan. 10, 1946; January portfolio folder on **Manhattan Bond Fund. . . . Broad Street Sales Corp.**—Current issue of items on **Broad Street Investing Corp.** and **National Investors. . . . National Securities & Research Corp.**—Current issue of this sponsor's weekly Investment Timing service with a discussion devoted to silver.

Dividends

American Business Shares, Inc.—A regular quarterly dividend of 4¢ per share payable Feb. 20, 1946 to stock of record Feb. 5.

National Securities Series—The following distributions were payable Jan. 15, 1946 to stockholders of record Dec. 31, 1945:

Bond Series	$0.10
Discount Bond Series	0.11
Speculative Series	0.14
Low-Priced Common Stock Series	0.10
First Mutual Trust Fund	0.12

Slayton & Co. Names Six New Officials

ST. LOUIS, MO.—Hilton H. Slayton, President of Slayton & Company, Inc., 111 North Fourth Street, has announced that at its Directors meeting on Jan. 14 six new officials were elected.

Hovey E. Slayton, formerly wholesale distributor of Massachusetts Investors Trust, after four years as a Lieutenant Commander in the Navy, now heads Slayton & Co.'s Chicago office in the Field Building, as Vice-President and Director.

T. P. Burke, in charge of Slayton & Company's offices in the Circle Tower, Indianapolis, was named Vice-President. Mr. Burke conducted his own investment business for 28 years in Indianapolis.

Russell A. Maloney, former Securities Commissioner of Missouri for 14 years, has become Treasurer and Director of the firm.

James Merkel, formerly Securities Commissioner of Ohio and the youngest trustee of Miami University, was named Vice-President in charge of the State of Ohio, with offices in Columbus.

Charles H. Learoyd, founder of Massachusetts Investors Trust, one of the largest mutual investment trusts in the United States, was elected Vice-President and Manager of the firm's Boston office.

Charles C. Wroughton, who has been in charge of the Company's Detroit office for the past year and a half, was appointed Vice-President.

Graefe & Co. Reopens Offices in Des Moines

DES MOINES, IOWA—Reopening of Graefe and Company, Des Moines investment underwriters, dealers and distributors, following the return of Harry B. Graefe from military service has been announced.

The company has opened temporary offices at 608 Securities Building, Des Moines, and in March will move to permanent quarters in the Equitable Building. Mr. Graefe announced that the company will act as underwriters, dealers and distributors of both municipal and corporate securities. Mr. Graefe has been in service with the Army Air Corps since May 1942, and for the past 18 months has been attached to the ATC in Alaska.

The firm's resumption of activity was previously reported in the Financial Chronicle of Dec. 27.

F. I. duPont Employees Honor J. A. Fleischmann

The employees of Francis I. duPont & Co., members of the New York Stock Exchange, honored their fellow employee, John A. Fleischmann on his retirement with a party and reception. Mr. Fleischmann had been with the firm for 36 years without interruption since he became associated in 1909 with Chisholm & Chapman, which was merged with the duPont Company several years ago.

Swan Heads Uptown Office Of First Investors Shares

Lt. Col. Dallas D. Swan A. U. S., recently released from active service has returned to First Investors Shares Corporation and is now in charge of the new midtown office at One Park Avenue.

The following estimated distributions are payable Feb. 15 to stockholders of record Jan. 31:

Preferred Stock Series	$0.18
Stock Series	0.14
Selected Groups Series	0.06

Monetary Manipulation

(Continued from first page)

that it is important to have the facts in any discussion of a practical problem of political science, but I think it is pretty clear by this time that hunting for the facts is no substitute for the exercise of judgment based on experience.

Then there are the word tags that we use for our ideas and about the meaning of which we do not always agree. That is especially true of technical terms like the phraseology of the financial experts when they discuss money. When I, a layman, come to deal with so technical a matter as the monetary problem before a group in which I have no doubt there are many experts, I must declare at once my limitations in the use of the word tags current in this particular field. I wouldn't know the exact meaning of such terms as credit expansion and the quantity theory of money and easy money. Therefore, I shall be using such lay terms as increase in the supply of money, how much money is enough and how much money is too much. Then again as my title suggests instead of talking about monetary management I shall be using the less expert and perhaps less polite term, "monetary manipulation." This matter of words is of growing importance especially since the development of the science of semantics and especially its use in the field of propaganda. The propaganda boys like to take a good word like inflation and dress it up to convey a meaning quite different from that given by the dictionary. The dictionary says that inflation means a sudden increase in the volume of money. That is precisely what we're having now. Those who are responsible would prefer to have it mean something which may or may not take place in the future. Therefore, the professional propagandists would make us believe, and in fact have succeeded in making us believe, that the word inflation means rises in prices and in wages which in fact are only the symptoms of the disease. Inflation is really debasement of currency. That we have with us. The rise in prices is the consequence but by shifting the meaning of an unpopular word some of us are able to kid ourselves into believing that inflation is not here and may not really overtake us. Politicians like to avoid for the present that which they are willing to take chances with for the future.

Moreover I have to remind you that my responsibilities in the business world are almost entirely in the long term investment of other people's money and therefore I have great trouble with the interest rate. But tonight I am not going to talk interest rate, low or otherwise, because that is a symptom. That is one of the results of our monetary manipulation. My attitude toward the low interest rate was accurately expressed in another connection by President Coolidge when, on his return from a church service one Sunday morning, he was asked what was the subject of the sermon, and he replied, "Sin." To the further question, "what did the preacher say about it?" he replied, "He was against it." I, too, am against the current low interest rate. However, my thesis tonight is that we have too much money and are in grave danger of having more.

Our Money Plethora

At the moment, we have bank deposits and money in circulation of $175 billions. That compares with about $55 billions in 1929, about $65 billions in 1939, and $112 billions in 1943. We have gone up to $175 billions of what we, in this country, use for money—that is bank deposits and money in circulation.

Of that $175 billions, $147 billions represents bank deposits on which somebody has the right to draw, and the other $28 billions represents money in circulation.

I dismiss money in circulation because the amount of money in circulation at any time depends on the choice of the bank depositor. Whatever the depositor in the bank wants in the form of currency represents the amount of money in circulation. The balance, the bank deposits, is the chief source of increases in the money supply and the chief problem of anyone who would consider the question of that monetary supply in relation to our needs and our general public welfare.

$175 billions—how did we get it? How much more will it be? How can we, if we need to, bring down the total amount?

I don't like to burden you with figures. I used to say, until the actuaries got hold of me, that God gave me a poet's license in the matter of figures. I'll try to avoid poetry tonight, and I shall try to deal with round figures so it won't be too much for your intake and your memories.

We had a money supply in 1920 of approximately $40 billions. That rose by 1929 to approximately $55 billions. How did it rise? It rose almost completely because of bank loans to private borrowers during the 20's.

Whenever a bank lends to a non-bank borrower, it increases bank deposits. The lending to private borrowers during the speculative period of the 20's increased bank deposits until they ranged around $57 billions.

The process of calling and foreclosing private borrowing between 1929 and 1933 brought that money supply down to about $42 billions. The reason for that reduction was the closing out by the banks of the loans which had brought it up to the higher figure during the late 20's.

The "New Deal" Inflation

The fiscal authorities of the country, through the gold purchase policy and the sale of Treasury obligations to the banks, put the money supply back from $42 billions in 1933 to about $65 billions in 1939. This increase in the money supply was a deliberate objective of the Treasury. The price of gold was raised to $35 an ounce early in 1934 and from that time to the end of 1941 the gold supply increased from $7 billions to nearly $23 billions. This not only increased bank deposits but it added tremendously to the reserves of the banking system and its capacity to acquire Treasury obligations with resulting increases in deposits. The gold was purchased at the increased price of $35 an ounce but it was not the price paid for the gold nor was it the amount of gold purchased but the method used to purchase it which increased bank deposits. You remember that in 1936, thinking that the supply of money was going too high, the fiscal authorities—making use of another poetic word—"sterilized" the gold. Then for a short time its purchase ceased to provide the banks with reserves out of which to further increase deposits. This gold policy together with the financing of Treasury deficits through the banks increased our supply of money until, at the end of 1939, it was $65 billions. Since 1939 it has reached $175 billions because of the sale of government bonds to the banks and by the banks' purchases of government bonds on the market.

The War Inflation

The rise in bank deposits since 1939, bringing their total to $147 billions at the present time, has resulted from the sale of government bonds to the banks by the Treasury or the purchase of government bonds on the market by the banks.

Now, you know that, for the last few years, the fiscal authorities, with most of the rest of us, have realized that the sale of government bonds to the banks did have the effect of increasing bank deposits. Therefore, on all issues of government bonds after the second war loan, the banks have not been permitted to participate in subscribing for new bonds.

However, it is not only by subscribing for new bonds at times of issue that the banks acquire government bonds. The banks, though they did not participate in the last six bond drives, did buy government obligations from the Treasury between the drives. It was mostly short term paper; but it does not matter whether it is short term paper or long term paper, and it does not matter what the interest rate is. It is a fact that if the banks buy government obligations of any kind from the Treasury, they increase bank deposits. In addition, during that same period, though they were not permitted to buy in the Treasury's drives, they were buying bonds, that is, government bonds on the market. The total increase during the last four years in bank deposits and money in circulation has been around $100 billions, and of that $100 billions, at least $50 billions has resulted from the purchase by the banks, under the leadership of the fiscal authorities, of government bonds on the market.

I am not interested tonight, and I don't want to stir your interest in the subject of bank liquidity or of bank solvency, both of which questions may be involved in bank buying of long term bonds or even of government bonds. I am interested in, and directing your attention only to the fact that the purchase by the banks, either from the Treasury directly, or on the market from non-bank owners, increases bank deposits and lays, immediately, the foundation for increases in our supply of money.

You know the way the matter was rigged by the Treasury in the beginning of the bond drives. The banks were permitted to buy large volumes of government bonds and they paid for them not with then existing money like you and I paid for our subscriptions. They paid for them with a book entry of a deposit in favor of the government. And then, under a well established practice, after a few months, the Treasury called in, in installments, the amounts of those book entries which are known by the poetic title of "war loan deposits."

By the time the Treasury called for the payment into its Federal Reserve account of those war loan deposits in the commercial banks, the bank deposits of the country had increased by an amount almost, if not entirely, sufficient to enable the banks to pay the cost of their subscriptions. This procedure did not itself increase bank deposits; it simply enabled and encouraged the banks to buy larger amounts than they otherwise would have done. In the lingo, it conserved the bank reserves.

That wheel has been turning round now for several years in a process which periodically increases the amount of bank deposits and the amount of money in the hands of the people who are the depositors.

I said that this process of using bank funds to buy government bonds, either by direct subscription, or on the market, results in the increase of bank deposits. I hope you all agree with that. I think it is now pretty well established and accepted as a fact. It is the reason that so much effort has been put by the Treasury officials, and by volunteers throughout the country, into getting the people to buy bonds instead of having those bonds dumped into the banks.

You know perfectly well that, by putting all their bonds into the banks, the Treasury could have financed this war not on 2½%, but on 2%, or 1%, or ½ of 1%, or 1/10 of 1%. The low interest rate does not furnish any basis for boasting about the government's credit. The government could, provided the Federal Reserve and the commercial banks cooperated, have simply poured that paper into the banks and taken book deposit entries in payment, and the interest rate could have been made anything the Treasury officials pleased. Remember I said that this could have been done but only with the cooperation of the Federal Reserve and the commercial banks. Without that cooperation cloaking the transactions with financial respectability, such interest rates could not have been maintained. The pursuit of a low-cost debt would have involved the issuance of greenbacks, which would not have been politically expedient.

Inflation By Bank Deposits Persists

If you agree that the purchase directly by the banks of Federal bonds increases our bank deposits, do you also agree that once created those deposits persist beyond their first use? The government used the deposit which the bank entered in its favor to pay for labor and materials. The recipients of those payments used them either as bank deposits or as currency.

Take a great carrier like the Hornet. She cost $60 million. She went out into the Pacific and rendered a great service for a few months and then went to the bottom. She is a beautiful illustration of what we have all so often said about production for war use. It is mostly destroyed.

I am not emphasizing the fact that this production for war use was destroyed. What I am emphasizing, at this moment, is that if, as was mostly true, such war production as the Hornet was paid for with deposits granted to the government by banks which bought the government bonds; then, though the ship itself was gone, the money that paid for her remained, and it is still here with us. It was paid out by the government, in the first instance, for wages and for materials; paid, again, by those who received it, to others. It still wanders around as part of the supply of money in this country.

If now you agree that the banks' purchase of any government bonds from the Treasury in any way results in increased bank deposits and that those deposits survive their initial use, I ask you whether you are also prepared to believe that the purchase of government bonds, by the banks on the market from non-bank holders of those bonds, results precisely the same as bond purchases by the banks from the Treasury itself.

Of the total of $100 billions, which in the past few years has been added to the bank deposits of this country by bank acquisition of government bonds, more than $50 billions of that addition have resulted from bank buying on the market.

Bank buying, in response to the needs of the public Treasury during a period of great emergency

(Continued on page 390)

Canadian Securities

By BRUCE WILLIAMS

Canada takes steps to protect her internal economy from inflationary tendencies from without. Farsighted Dominion planning envisaged not only a strict control of inflationary tendencies during the war but also the importance of a stable economy during the even more difficult postwar transition stage.

The heavy purchases from this country of Canadian internal bonds have given rise to considerable pertubation within the Dominion. With troubled conditions throughout the world, Canada stands out as an oasis of stability. Also when consideration is given to the apparent undervaluation of the Canadian dollar, which had stood at parity with the U. S. dollar even when the Dominion economy was less fully developed, a still more overwhelming wave of internal bond purchases could readily be visualized.

In order to stem this tide, the Canadian Foreign Exchange Control Board has withdrawn the privilege previously extended to non-resident purchasers of internal bonds and debentures, which permitted registration with the Board for subsequent outright sale of the securities in Canada. After Jan. 19, it will be possible to register only stocks and shares purchased by non-residents in Canada for cash. Also bonds and debentures already registered can still be sold outright in Canada.

Thus the value of the registration privilege previously emphasized in this column is now definitely confirmed and it is likely that two separate markets will develop with the price differential increasingly in favor of the registered bonds.

Although this new step does not necessarily suggest any exchange implications, nevertheless the imminence of the implementation of the Bretton Woods plan can give rise to surmise in this direction. If restoration to the prewar parity were contemplated, a measure of this kind would be logical.

This trend of thought also leads to the consideration of the possibility of a further measure to deter speculation in Canadian exchange. As a matter of practice the Bank of Canada has always supplied the free market for Canadian funds in this countryy whenever the rate has reached the official selling level. If it were ever thought necessary to discourage the accumulation of heavy exchange positions, the official exchange tap could be turned off. This defensive measure could very well be called into play should the speculative attention, diverted from the purchase of internal bonds, turn to buying outright exchange.

Such a development would be normal since the erection of official barriers against an exchange movement usually induces in the speculative mind a greater desire than ever to take a position by means of an alternative channel. If the free rate were thereby forced below the official rate the following results might be achieved:

(a) The exchange speculator would be less enthusiastic to purchase should the discount narrow.

(b) In the absence of the official supply, the size of the speculative position would be restricted.

(c) In the event of a change in the official rate the Foreign Exchange Control Board would avoid the criticism that official funds had been freely supplied at 9⅛% discount to feed speculative positions.

Turing to the market for the past week the strong trend persisted to an even more marked degree. High grades, especially Nationals, again established new highs. For the commercial bank buyer seeking income on maturities within 10 years the highest grade Canadians are still attractive. Albertas following this recent recovery were inclined to sag, but Montreals, which still appear undervalued, were in steady demand. If rumors regarding another Montreal refunding operation are borne out in fact there would appear to be scope for considerable further improvement in the outstanding issues.

Internals were quiet pending analysis of the possibilities in connection with the new registration ruling and free funds eased slightly to 9¼%.

With regard to future prospects recent official pronouncements concerning the maintenance of a low pattern of interest rates at least for the duration of the reconversion period suggest still higher market levels. At a later stage also when serious attempts are made to balance the budget, the cost of the debt service is likely to be even more than now an item to be reduced to the lowest possible level.

No Change in Montreal Margin Levels Expected

MONTREAL, QUE., CANADA —It was announced by the managements of the Montreal Stock Exchange and Montreal Curb Market that no change in the levels of margins will be introduced as a result of the raising of the rates in New York to 100%. Brokers stated that they anticipated the decision in Washington would divert business from Wall Street to the Canadian exchanges.

In Montreal margins of 40% are required for stocks selling at $4 a share or less with a minimum of 40 cents a share, while securities selling over $4 a share require a margin of one-third. The present set-up was introduced in 1944.

Monetary Manipulation

(Continued from page 389)

like the war, can be justified on patriotic reasons. But I have always felt that it is also patriotic to insist that Treasury financing be done in the sound way instead of the unsound way.

Banks Buying High Rate Bonds

Bank buying on the market can be justified, to some extent at least, by support of the market. But of the $50 billions which the banks have bought on the market, I think only a very small portion could be credited to support of the government bond market against pressure sales by non-bank owners of those bonds. I do not think you will find many instances in which the banks have bought those bonds for par or less. I think you will find, and certainly you will find at the moment, the bond market is being bid up and up, and much of the buying is by the banks. Moreover, the funds which the banks, particularly those of Chicago and New York, are now using to buy government bonds on the market, are being provided by the Federal Reserve Banks.

If you will look at the figures published every week, you will find that the Federal Reserve Banks now hold nearly $24 billions of government obligations, most of them being short term paper which have been turned into the Federal Reserve by the commercial banks, for funds which the commercial banks have used to buy other government bonds on the market of higher coupons and for better earnings. The Federal Reserve Banks now hold $12.5 billions of the total of $17 billions of Treasury bills now outstanding. Practically all of these holdings of Bills by the Federal Reserve were acquired from the commercial banks. When the commercial banks bought those Bills they increased bank deposits by their amount. To the extent that their sale of these Bills to the Federal Reserve for funds which the banks thereupon used to buy on the market from non-bank holders other government bonds, the original bank acquisition of the Bills did double duty in increasing bank deposits and the present money supply.

I do not want to put that too harshly, but the simple truth of the matter is that, under the permission or the inspiration or the encouragement of the Federal Reserve System, the commercial banks are buying at rising prices and are being provided, weekly, with funds with which they can go and buy not distressed bonds on the market, but bonds which, like the 2's of '52-'54, have now been bid up to almost 105. That is not distress selling and the buying is not support of the market.

Government Should Get Out of Banking Business

Every bit of that buying is adding to the bank deposits and to the inflationary supply of money until the total is, as I have said a moment ago, $175 billions. I do not know whether the Federal Reserve is pushing its funds at the banks and urging the banks to buy bonds on the market, or whether the banks are going to the Federal and seeking funds with which to buy bonds which increase their earnings. God knows, the banks are having trouble enough to make earnings with which to carry on their important functions. Perhaps what I ought to be suggesting is that the Government get out of the banking business and let the banks make their earnings in a way that does not endanger the future of that which they deal in, our currency. But all I am emphasizing is that the banks, though direct buying of government bonds has been pretty much stopped during the last few years, are now buying on the market, bidding government bonds up to higher and higher prices, establishing lower and lower interest yields—and there I come back to what is my fundamental problem in most of my business administration—and with consequent increase in the money supply.

I ask you to believe me when I say that these purchases by the banks have precisely the same effect in increasing bank deposits as if they were purchases direct from the Treasury upon its original issue. If you do not believe that, I must assert, as we often do in the insurance business, that this time I am a thousand per cent right.

In the twenties, when the banks increased the supply of money by lending to private borrowers, they had to look out for their liquidity. They had to look out for the dependability of the borrower, and for their future profits. Did they have any other duty? Did they have to look out, also, for the possible effect on the public welfare of too large a volume of loans resulting in too large an increase in bank deposits and in the money supply?

They suffered when we all suffered as a result of that supply getting too large. Whose duty is it to see that the public welfare is not affected by loans and purchases through the banks which result in increased bank deposits?

Well, the banks rightly say that it is primarily the duty of the Federal Reserve authorities.

The Federal Reserve did not exercise its powers, did not perform its duties in the twenties and the crash came. The Federal Reserve, though Governor Eccles pointed out in 1940 that he feared an inflationary increase in the amount of money, has not performed its function of controlling the amount of money in these difficult years through which we have since been passing. Aand, it is not now performing its duty to see to it that the money supply in the country does not reach proportions that are inflationary and destructive of the economic life of all the people of this country.

Federal Reserve—A Tool of the Treasury!

When the Federal Reserve System was created and the Board of Governors placed in general charge of it, we used to speak of it as the "supreme court of credit," or the "supreme court of finance"; an independent body which, like the then Supreme Court, would rule over credit and finance. Well, the comparison with the Supreme Court would not help me so much tonight because we have seen it descend to the point where it has neither the competency nor the independence that it then enjoyed. And, we have seen the Federal Reserve Board, which was supposed to be the supreme court of credit and finance, sink to the point where it is little more than a tool of the Treasury.

Nevertheless, it takes the combination of the Federal Reserve Board, the Federal Reserve Banks and the commercial banks to effect that increase in bank de-

posits and in the supply of money which results from the banks' purchase of government bonds on the market.

I cannot answer the question as to how much money is enough. The individual always wants more. But, I do suggest that we have reached the point where any more money created by additional bank deposits will be too much, and that too much will continue to press against the price level, the wage level, and any controls intended to keep them from going through the ceiling.

Rises in prices are not inflation. Consequent demands for increased wages are not inflation. The inflation is in the debasement of the currency. The increase of this vast amount of what the people in this country use for money creates the pressure under which prices are bound to rise and, when they rise, labor is bound to demand increased means of meeting the higher price level.

How to Deflate

If this great supply of money is too much, how do we get rid of the excess? There are only two ways that I know of. One is by the government paying off its debt and getting those bonds out of the banking system. The other is for the banks to sell those bonds back to non-banking buyers. What are the chances of that? A very large proportion of bank-held government paper is short term stuff that the individual does not want and is not prepared to handle with its constantly recurring maturities.

Besides, the banks, under the guidance and inspiration and encouragement, propulsion and what not of the Federal Reserve authorities, are paying a price for those bonds on the market today which will make it very foolish for individuals or savings institutions to buy them back except at a loss to the present holders.

Moreover, the banking system of the country faces two great public services which they will be called upon in the near future to perform. One is to act for the government in redeeming those purchases of government bonds during the war which were made by many individuals, under the persuasion of government authorities that they were thereby storing up funds for use when the war was over.

There are nearly $50 billions of "E", "F", and "G" bonds in the hands of individuals. Some $25 billions of them may be expected to enter into the banking system when redeemed or refinanced by the government with bank funds.

Then, the expansion of business, which is sure to follow after the strikes and the disturbances of this period is over, is going to call for funds particularly for small business which should be supplied by the banks, and which will, again, have the effect of increasing bank deposits.

If we go on the way we are going, with increases of bank deposits due to the deliberate purchase of government bonds on the market by the banks, and then have to absorb in the banks all of the funds that will result from these redemptions by individuals, and also have to increase the bank deposits by making loans to business in an expansion period, we may look forward to a money supply floating around in this country of not $175 billions as now, not $200 billions as some have estimated with a sense of fear, not even limited to $250 billions, maybe $300 billions. And where de we go from there?

Plethora of Money Forcing Higher Prices

It is this huge supply of money forcing against all controls toward a higher price level that necessarily carries with it a demand for higher wages. It causes much of the present labor unrest, results in many of the fishing expeditions for facts and statistics with which to prove labor's right to a larger share to meet the rising cost of living.

It does not get anybody anywhere. The government saves a little by the low interest rate which it has obtained and maintained by this process of creating new money. And the process of creating the new money, though it saves a little interest in the cost of the debt, results in the average man having to pay nine thousand dollars or ten thousand dollars for a five thousand dollar house. If that is a benefit to the average man, I cannot follow the statistics, the facts, or even their poetic interpretation along such lines as Dr. Wolman illustrated to you.

Needed, a Balanced Budget

Now, you may fairly say, "Well, what are you going to do about it?" My suggestion is that the first thing which should be done and done immediately is to remove the fundamental cause of this inflationary money supply, that is, balance the Federal budget and stop any kind of deficit financing.

The second suggestion is, in whatever tax reductions we may make, we must see to it that the government revenue is still sufficient to supply a surplus out of which, annually, there can be some reduction of the huge debt which now burdens the people of this country.

We cannot drift along and say that "we owe it to ourselves," or that it will take care of itself. It won't take care of itself but, by the great Jehova, it will take care of all of us if we do not tackle the job of getting it under control.

Then, the Federal Reserve authorities should abandon their insane and fanatical desire for easy money at any price, and establish a fiscal policy which will look to soundness in the future, that is, to put it more plainly, they must stop trying to create funds through banks' purchase of government bonds in any way in order that the supply of funds shall be so great that it will continue to keep the interest rate at a lower and lower point. A low interest rate is not worth the price it costs all the people.

Then, the Treasury should provide, in the very near future, for a long term 3% bond that will be attractive to individual investors and to their savings and life insurance institutions. That bond should be issued with a sinking fund provision under which at least 1% of it should be sunk annually by lot. The proceeds of that issue should be used to take out of the banks some of the bonds now there and place the debt on a long term liquidating basis in the hands of the people who own the deposits without increasing any further the existing bank deposits.

That is not a very difficult program, provided the people of this country intelligently and honestly want to get hold of their future and want to get rid of the debt which now mortgages their lives. It has got to be done quickly. It has got to be done courageously. It is harder to do it now than it would have been to do it when it ought to have been done, in the days when the war emergency and patriotism would have made it easier to sell a much larger volume of the bonds issued to finance the war to the people than was actually sold to them.

It cannot be done by the so-called experts who determine so much of public policy in this country today, or by the jugglers of public policy, some of whom have been referred to here tonight in language that I could not equal.

The job, if it is to be done, must be done by a Congress of competent, courageous representatives of Americans and we are not going to have that kind of a Congress unless we, who represent so large a portion of the population of this country, see to it that that kind of man is promptly elected to the great representative body of this country.

I heard someone say here tonight that others in our population were planning to get their men in Congress. I do not want my man in Congess, but I want, in Congress, competent, courageous representatives of Americans, and when we get that kind of Congress, we can go forward with the job of taking hold of the results of this war in our domestic economy and putting our house in order.

That is a huge task but not an impossible one, and the sooner we take hold of it, the easier it will be to do.

As I finish, I think I dare to say to you that what I have been trying to say was expressed long ago in Scripture—"money is the root of all evil".

Reasons for Extended Stock Rise

(Continued from page 372)

averages will be approximated or passed.

Changed Conditions

In 1929 margin requirements were only 30 to 40%. Now all stocks must be paid for in cash. Broker loans Jan. 2, 1929, totaled approximately $5,300,000,000, while today they are less than $2,500,000,000. Corporations then also had a very heavy debt structure. Today this debt has been very greatly reduced and corporations have taken advantage of low interest rates to refund.

During 1929 all lines of industry were over-stocked and over-extended with inventories. Today there are practically no inventories and there is largest pent-up demand for goods that ever existed in our history.

Loans Paid Off

People have paid off or reduced loans on household furnishings, automobiles, etc., until they are practically nonexistent. Mortgages on farms and homes have also been greatly liquidated. There are huge sums in our savings banks and invested in Government bonds (exclusive of institutional holdings) which are property of the people.

Depreciated Dollar

Expenditure of these vast funds, therefore, should result in great period of prosperity for us and consequently, rising security values. Another item I feel has been generally overlooked is that we now have a dollar depreciated to about 38% of value of the 1929 one. Based on this theory, stock prices could reasonably reach 60% above those of 1929. In addition, depreciated properties must be rehabilitated and modernized, requiring the expenditure of vast sums of money.

There is also the problem of rebuilding war-devastated regions of the world. Money or credit to do this will, in all probability, be furnished, to great extent, by us. If this is held within bounds and administered properly, it will undoubtedly add to coming prosperity of our Nation.

IBM Promotes Watson To Executive Post

International Business Machines Corporation announced the promotion of Thomas J. Watson, Jr., to the position of Assistant to the Executive Vice-President, with headquarters in New York. He recently returned from more than five years of service with the U. S. Army Air Forces, with the final rank of lieutenant-colonel and senior pilot.

Mr. Watson joined IBM in 1937 after his graduation from Brown University, and was a senior sales representative in 1940, when he enlisted as a private in the 102nd Observation Squadron of the New York National Guard. He received the Air Medal for participation in a flight from Washington to Yakutsk, Siberia, on an important military mission to Russia. He also was presented with the Commendation Ribbon for meritorious service rendered the Office of the Air Inspector, Headquarters of Army Air Forces, Washington. His service covers the American, European, Asiatic - Pacific and Philippine theatres.

IBA Appoints Clark Educational Director

BALTIMORE MD.—Announcement has been made in Baltimore of the appointment of Lieutenant Commander Robert W. Clark, Jr., U. S. N. R., of Seattle, Washington to the position of Educational Director of the Investment Bankers Association of America. This announcement was made by Charles S. Garland, president of the I. B. A. and a partner of Alex. Brown & Sons, Baltimore. He indicated that the association was placing considerable emphasis on its training and educational program in the post-war period and that the appointment was designed to further implement its activity in this field.

Mr. Clark, who will make his headquarters in Washington, D. C., has been on active duty with the U. S. Navy since April, 1942, during which time he was closely associated with the Navy's program of officer training. He was a member of the staff of the U. S. N. R. Midshipmen's School, Chicago, Illinois and most recently completed a tour of duty in the Navy Department, Bureau of Naval Personnel. He has recently been released by the Navy and is now actively engaged in the work of the Association.

Prior to entering the Navy, Mr. Clark had been associated with the Peoples National Bank of Washington in Seattle for eight years and served as manager of its Bond Department during the last year and one-half of that period. He was graduated from the University of Washington in 1933 with an A. B. degree.

Ralph DeGroff Returns To Mackubin, Legg & Co.

BALTIMORE, MD.—Mackubin, Legg & Company, 22 Light Street, members of the New York Stock Exchange, announces that Ralph L. DeGroff, previously commander, USNR, has resumed his connection with the firm.

Col. James Cullum With Eastman, Dillon & Co.

Eastman, Dillon & Co., 15 Broad Street, New York City, members of the New York Stock Exchange, announce that Col. James B. Cullum, Jr., A. U. S., is now associated with the firm.

Securities Salesman's Corner

By JOHN DUTTON

Some Observations Regarding Profit Taking—When, How, Why

It is not only important to sell securities that will show your customers a fair return (and price appreciation whenever this is possible), but extreme care and judgment must be exercised when you take them out of a security.

Of course, we are all familiar with the excessive tax penalties which are exacted when a short-term profit is made. No account should be taken out of a security under six months, unless it is an emergency case. If conditions warrant the sale of a security under six months, the fact should be made plain to the holder of that security. To do otherwise is to open the door to criticism when next year's taxes are to be paid. Best course to follow here is to tell the customer just what he must expect to pay in taxes if he takes a short-term profit—then there will be no misunderstanding.

There are many securities that have had a very substantial price rise during the past year. Some of them may have reached the point where profit-taking appears to be the logical thing to do. But did you ever take a customer out of a security, sell them something else, and later on see the security which you sold out, advance sharply in price above that which you sold it? It's a very difficult situation in which you will find yourself. In these times of unsettled conditions and markets that sometimes act like there is no basis in reality for the way which the prices of certain stocks will jump all over the lot—who can really know the answer to the problem of "where to sell"? So why not hedge? If a particular security begins to act like it has reached a point where a sale is justified; SELL HALF OF IT. The investor who sells half of his holdings and then lives to see the other half sell at higher prices, can never complain that you used poor judgment in selling out a part of his holdings. It is never a sign of weakness to admit that you are uncertain regarding the future market price of any security. No salesman can be criticized for urging prudence and caution in times like these. That is the course you are advocating when you advise the sale of a portion of your client's holdings when prices reach a point that you believe is no longer warranted by the outlook for the future.

Then there are investment accounts which are dependent entirely upon income. Some salesmen today are finding it very difficult to replace securities that have advanced sharply in price, with a comparable investment that also pays a fair return. Based upon original cost the income return is still good—but taking present prices as a criterion the securities in question appear to be very vulnerable to a future price collapse. What is the right course to follow? Leave the high-grade, but over-valued items where they are and make no changes. Or sell them out and substitute more speculative holdings. Here is where we must use a high degree of judgment. The age, financial condition and earning capacity of the investor must be taken into consideration. Certainly, people dependent upon their income from investments, with limited earning capacity, should not be induced to give up intrinsic quality even if they may see a price depreciation in the value of their holdings in the future. Then there are other investors who can afford to take a larger risk—but from the salesman's viewpoint one thing is absolutely essential—EXPLAIN THE RISKS—TELL THE WHOLE STORY—MAKE IT AS PLAIN AS DAY AS TO JUST WHAT YOU ARE DOING AND WHY YOU BELIEVE IT IS GOOD BUSINESS TO DO IT.

The whole basis for success in the keeping and building of a clientele is THE CONFIDENCE WHICH YOUR CUSTOMERS HAVE IN YOU. The only way you can build this confidence is to tell the whole story, clearly, truthfully, and completely. Let your customers know WHY they are doing something. Keep their objective ahead of them. If it's income they want—let them know you are trying to give them as much of it as you can without sacrificing safety of principal—if they want to speculate that's another story. It's not only important to sell the right securities to the right people, IT'S VITAL TO YOU THAT THEY KNOW WHY THEY ARE BUYING WHAT.

Ends Margin Trading

(Continued from page 373)

assets, such as homes, farms, business properties and securities.

"The most effective way that I know of to curb speculation in capital assets would be to increase substantially the rate of the capital gains tax, or the holding period, or a combination of both. For a long time I have advocated enactment of legislation to this end as a temporary protective measure applicable to all future purchases. This would not deter the selling of assets held at the time the measure was introduced in Congress, but it would greatly deter buying for the speculative rise after that date. It would not affect the purchase of capital assets of any kind which have been or are being bought for personal use or long-term investment rather than for the speculative rise.

"In addition, it is important to point out that so long as the public debt continues to be monetized through the purchase of Government securities by the banking system, the supply of money will continue to increase, thus tending further to reduce the interest rate on savings and investment funds. The resultant pressure of an increasing money supply and of lower interest rates is bound to have a further inflationary effect upon all capital assets and to increase the difficulty of holding down the cost of living.

"It is, therefore, imperative that the process of further monetizing of the public debt through the banking system be ended so that the rate of return on investments would be stabilized and would reflect the supply of savings and investment funds in relation to the demand instead of reflecting an increasing amount of bank credit. This process needs to be stopped not only by bringing about a balanced budget, but also through measures to check further unnecessary expansion of commercial bank holdings of Government securities.

"Only by a vigorous, comprehensive attack along the entire economic front can the battle be successfully waged against inflationary pressures. Credit curbs are at best supplementary and not basic measures for reaching the underlying causes of these pressures."

The formal order of the Board of Governors of the Federal Reserve System, constituting Amendment No. 5 to Regulation T and Amendment No. 6 to Regulation U is as follows:

AMENDMENT NO. 5 TO REGULATION T

Issued by the Board of Governors of the Federal Reserve System

Regulation T is hereby amended in the following respects, effective Jan. 21, 1946:

1. By adding the following sentence to section 3 (a):

During any period when the Supplement to this regulation specifies that registered securities (other than exempted securities) shall have no loan value in a general account, any transaction consisting of a purchase of a security other than a purchase of an exempted security or a purchase of a security to reduce or close out a short position shall be effected in the special cash account provided for by section 4 (c) or in some other appropriate special account provided for by section 4.

2. By changing the Supplement to read as follows:

SUPPLEMENT TO REGULATION T

Issued by the Board of Governors of the Federal Reserve System
Effective Jan. 21, 1946

Maximum Loan Value for General Accounts.—In a general account subject to section 3 of Regulation T, a registered security (other than an exempted security) shall have no loan value.

Maximum Loan Value for Specialists' Accounts.—In a specialist's account subject to section 4 (g) of Regulation T, the maximum loan value of a registered security (other than an exempted security) shall be 50% of its current market value.

Margin Required for Short Sales in General Accounts.—The amount to be included in the adjusted debit balance of a general account, pursuant to section 3 (d) (3) of Regulation T, as margin required for short sales of securities (other than exempted securities) shall be 100% of the current market value of each such security.

Margin Required for Short Sales in Specialists' Accounts.—The amount to be included in the adjusted debit balance of a specialist's account, subject to section 4 (g) of Regulation T, as margin required for short sales of securities (other than exempted securities) shall be 50% of the current market value of each such security.

AMENDMENT NO. 6 TO REGULATION U

Issued by the Board of Governors of the Federal Reserve System

The Supplement to Regulation U is hereby amended to read as follows:

SUPPLEMENT TO REGULATION U

Issued by the Board of Governors of the Federal Reserve System
Effective Jan. 21, 1946

For the purpose of section 1 of Regulation U, no stock, whether or not registered on a national securities exchange, shall have any loan value.

Loans to Specialists.—Notwithstanding the foregoing, a stock, if registered on a national securities exchange, shall have a maximum loan value of 50% of its current market value, as determined by any reasonable method, in the case of a loan to a member of a national securities exchange who is registered and acts as a specialist in securities on the exchange for the purpose of financing such member's transactions as a specialist in securities.

Edward P. Currier Dead

Edward Putnam Currier, retired investment banker, died at his home at the age of 59. Mr. Currier, shortly after his graduation from Harvard, was appointed secretary to James F. Curtis, then assistant secretary of the United States Treasury. In 1911 he came to New York to be an assistant to the late Frank A. Vanderlip, president of the National City Bank of New York. In 1917 he returned to Washington with the Aircraft Production Board of the Council of National Defense and was commissioned a major in the Aviation Section of the Signal Corps.

At the end of the first World War he became a partner in Montgomery & Co., and in 1921 entered the firm of Marshall Field, Glore, Ward & Co. He was a member of the firm when he retired ten years ago because of poor health. At the time of his death he had an office with Glore, Forgan & Co., 40 Wall Street, New York.

Taggart Adds to Staff

PHILADELPHIA, PA.—The investment firm of Charles A. Taggart & Co., 1500 Walnut Street, announce that Roy E. Brumbaugh, Lansdale, Pa., and William J. Bates of Atlantic City, N. J. have joined their sales organization and will represent them in these respective territories.

N. Y. Finance Institute Announces Spring Term

The New York Institute of Finance has announced the following courses to be offered during the Spring Term of 1946:

Accounting Principles, under Jerome J. Kern, and Melvin G. Ott of Robert Winthrop & Co.

Business Economic, under Louis H. Whitehead, Louis H. Whitehead Company.

Business Finance, under William C. Stafford of Colgate-Palmolive-Peet Co.

Federal Income Tax Practice II, under Charles Meyer, C. P. A. and Attorney.

Personnel Relations in the Business of Finance, under Jessie Bloodworth, Personnel Relations Consultant of the Association Stock Exchange Firms.

Practical Spanish (advanced) under Eduardo V. Moore.

Accounting Background for Security Aanalysis; Albert P. Squier.

Security Analysis I and II—Herman J. Borneman, New York Stock Exchange; Belmont Towbin, C. E. Unterberg & Co.; Charles F. X. McGolrick, Sartorius & Co., and S. B. Lurie, Paine, Webber, Jackson & Curtis.

Introduction to Financial Statement Analysis—Andrew F. Lynch, Abraham & Co.

Investment Account Management—Stephen M. Jaquith, Investors Counsel, Inc.

Analysis of Public Utility Holding Company Securities—W. Truslow Hyde, Jr., Josephal & Co.

Analysis of Public Utility Operating Company Securities II—Charles A. O'Neil, R. W. Pressprich & Co.

Analysis of Railroad Securities—Pierre R. Bretey, Baker, Weeks & Harden.

Current Developments in Utilities—Harold H. Young, Eastman, Dillon & Co.

Current Developments in Railroads — Patrick B. McGinnis, Pflugfelder, Bampton & Rust.

Work of the Stock Exchange and Brokerage Office Procedure—John H. Schwieger, New York Stock Exchange, and Andrew F. Lynch, Abraham & Co.

Work of the Order Department—Fred W. Hansen, Pershing & Co.

Work of the Margin Department—George E. Orr, Bache & Co.

Work of the P. & S. Department—F. Warren Green, Hallgarten & Co.

Work of the Cashier's Department—George E. Rieber, Assistant Secretary of District No. 13 of the National Association of Securities Dealers, Inc.

Advanced Margin Problems—Paul C. Fitzgerald, Hirsch & Co.

Controllership Techniques applied to the Brokerage Business—David Krell, Thomson & McKinnon.

Legal Aspects of the Securities Business—Irwin A. Brodsky, legal advisor, J. & W. Seligman & Co.

Correspondence courses are also offered by the Institute. Enrollments should be made with the New York Institute of Finance, 20 Broad Street, New York City.

It is also announced that the 60th edition of the Institute's Educational Tests for New York Stock Exchange Member Firm Employees is now ready; price, $1.00.

Henry A. Brown To Represent Rollins

HARTFORD, CONN.—E. H. Rollins & Sons Incorporated announces that Henry A. Brown has become associated with them as their representative. Mr. Brown was formerly manager of the Bond Department for E. T. Andrews & Co. and prior thereto was Hartford manager for Este & Pollard.

FLORIDA

The Agricultural, Vacation and Industrial State

The COMMERCIAL & FINANCIAL CHRONICLE

JANUARY 24, 1946

Florida: A Land of Opportunity

By HON. MILLARD F. CALDWELL
Governor of Florida

Governor Caldwell Points Out That in Addition to Being a "Land of Enchantment," Florida Has Become a Land of Industrial Opportunity and Expects to Assume in the Next Decade a Substantial Place in the Nation's Industrial Life. Recounts the State's Industrial Progress During War.

We Floridians have for many years advertised Florida as "The Land of Enchantment." We who live here believe just as firmly as ever that our state is the nation's premier vacation land, that its beauties are wondrous, its sunshine full of vitamins and its soft climate a pilllow of down for the frayed business man.

Millard F. Caldwell

But we also have had the conviction that Florida is a Land of Opportunity. Although the state lacked the smokestack-serried landscape of big industrial areas, Florida harbored more factories than many people realized.

When the war came many of us were worried about our local welfare as well as the tremendous problems faced by the nation. If Beauty and the Beach were to be banished for the duration, what then could we use to buy war bonds? I am happy to say that Florida found the answer and that we have emerged from the war with a confidence gained through four trying years that our industry as well as agriculture is a sturdy growth.

Thousands of war workers came to Florida, and not a few from Florida farms, to man shipyards, industrial aviation facilities and similar factories engaged in direct war work. We Floridians became familiar for the first time, with production lines. And we proved those lines will grow and flourish alongside orange groves and bathing beaches. At the same time we acquired a substantial force of skilled labor, many of whom want to stay here, others who owned homes here previously.

Why not? Is not labor happier in pleasant surroundings? Are not children healthier with fresh fruits and vegetables from the home garden the year around? Does not the worker, as well as the vacationer, enjoy a swim on a Saturday afternoon fishing trip?

Let me pause here to say that I do not pretend to voice Florida hopes of becoming a state of Pittsburghs and Detroits. We realize that other sections of the country not blessed as are we, have such things as coal or iron ore or cheaper freight rates provided by nature or man in recompense.

But let me announce for the people of Florida who will spend a million dollars in the next two years delivering this message—that Florida expects to assume in the next decade a substantial place in the nation's industrial life.

We began industrial research before the war, research financed by the state in an experimental station at the University of Florida and directed into channels which indicated logical probabilities of benefit. In addition, numerous private firms and individuals have begun exploration in fields allied with their present industry. Much of this work has been with a view of new products or improved products from our well established and unique agricultural enterprise.

Citrus products and by-products are growing constantly in value and in variety. New crops for food, fiber and oil are being developed, several with exceptional promise of leading to new industry. Our cattle industry has become a point of pride, whereas a generation ago we were prone to apologize for it.

The growing and processing of pulp wood into paper, which 20 years ago was but a gleam in a chemist's eye, accounted for a $41,000,000 income to Florida in 1944. This is but one item of wealth to be obtained from Florida forests, which incidentally produced nearly $6,500,000 of naval stores during the same year. One company has even made perfumes and synthetic camphor from pine stumps.

Florida's fishing industry long has been well established, with production in recent years ranging more than 300,000,000 pounds. Modern freezing methods promise further growth in this line and the creation of new plants, products and wealth. Until stopped by the war, the catching of sharks for their oil was being done profitably by at least one Florida concern.

It is impossible for me to give here an itemization of the fields of opportunity offered by our state. At present our chief manufacturing enterprises cover four general fields: food products of an agricultural nature, fish processing, manufacture of tobacco products, and forest products. A score or more manufactures have found it profitable to move ready-to-wear and sports togs shops to Florida and now are introducing Florida styles. Shell, wood and leather novelties offer a field in which not a few enterprising individuals have built up nationally-sold lines.

Shipbuilding, boatbuilding, furniture manufacturing, glass manufacture, fabrication of electrical equipment—all these and more have been proved practical Florida industries. It is my sincere belief that Florida's industrial future, aided by present friendly laws and tax structures, is limited only by the imaginative bounds of ingenious men. We invite industrialists to see for themselves.

Florida Security Dealers Assoc'n Again Active

After Lapse of Four Years, Florida Security Dealers Association Held Convention in Which Much Constructive Work Was Done in the Field of Investments in the State. Membership of Association Broadened and Security Dealers in State Prepared to Take an Increasing Part in Attracting New Industries and Distributing Their Issues. New Officers Elected.

The Florida Security Dealers Association held its first convention in four years on Dec. 6, 7 and 8 at The Inn, Ponte Vedra Beach, Florida, and immediately embarked upon a program designed to make its influence as a body felt in legislative and economic factors affecting the postwar prosperity of the State of Florida. The Association has been more or less dormant during the war years, due to travel difficulties and because many of its members were in the armed forces. However, with the end of the war, the Association laid its plans to function again in an active manner, and to make a strenuous effort to enroll every dealer in the State in the organization. It is felt that only by having an all-inclusive organization can the Association do the maximum con-


Thomas S. Pierce


T. Nelson O'Rourke


Archie R. Morrison

structive work. In addition it is the hope and belief of the Association that many banks in the State will accept membership, the members feeling that the banks and the security dealers should closely cooperate in many matters of mutual interest.

There is much constructive work to be done in the field of investments in the State, both from the standpoint of the investor and from that of the corporation desiring maximum market distribution of its securities in Florida. To have the Association, acting as an organized body with a definite long-range program, carry on such work in the legislative and educational field, will be its principal aim during the coming years, a sentiment strongly expressed by the members at the convention. It is felt that the Association can do more good representing the dealers and banks collectively than the individual institutions can do by themselves in matters affecting the investment business in general in the State. The Association will actively favor and sponsor such legislation as it deems necessary to safeguard the investor, and will actively object to any it deems detrimental. It will oppose the passage of any legislation it believes will handicap the marketing of securities in the State, whether corporate or municipal. New corporations will feel more inclined to look upon Florida as a favorable place to market their securities when it is known that an active group of dealers and banks is fully organized and equipped to do this work and when they realize the potential investor demand within the State.

In these coming postwar years the Florida Security Dealers Association feels itself to be better qualified than at any other time before in its history to play a key part in the industrial, financial and municipal development of the State. At the inception of the organization in 1933, the membership followed a natural course in being composed primarily of dealers in municipal bonds. At that time the primary financial concern in the State was the low-ebb of municipal credit, dealt a severe blow by the tremendous over-expansion in debt of many of the taxing units in the State during the real estate "boom." This situation improved tremendously during the thirties, and it is universally agreed that much of the credit for this rehabilitation must go to the members of the Association acting collectively and individually. They were very active in devising refunding programs that enabled taxing units to work out of their difficulties, and, at the same time, insured a fair settlement for the bondholder.

They were instrumental in securing the consent of bondholders to these refunding programs, and finally in safeguarding the investor by insuring that the taxing unit carried out the terms of the program. On various occasions the Association backed legislation in the State Legislature, and indirectly in Washington, that was of benefit to the investor and to the debt-harassed communities, and fought legislation that was adverse to their interests. The municipal debt situation at the time of organization of the Association in 1933 was chaotic, to say the least—since then municipal credit has advanced to a point where Florida bonds are selling at prices comparable to many northern credits. The finances of practically all of the Florida taxing units are now on a sound basis, a condition which is of great benefit in attracting new industries to the State, and in insuring that the tremendous potential growth of Florida becomes an actuality.

With the attraction of new industries to the State, and the development of companies owned largely in the State, it was natural that dealers distributing the securities of these companies should grow in number, and also natural that they should take an ever-increasing part in the affairs of the Association. At the present time dealers in corporate securities are very active in the Association, as are also dealers in investment trusts and New York Stock Exchange houses. The complexion of the Association has, therefore, been changed con-


Harvey B. Craven


E. W. Jackson


Geo. M. McCleary

siderably since its inception, and with its new diversity of interest is in a better condition than ever to have an active part in the development of the postwar prosperity of the State, better able to act as a body representing all the security dealers and banks in Florida. At the convention at Ponte Vedra an election of a new Board of Governors and new officers was held for the first time since the previous convention in 1941. The following officers were elected:

Thomas S. Pierce, President, Clyde C. Pierce Corp., St. Petersburg; T. Nelson O'Rourke, Vice-President, T. Nelson O'Rourke, Daytona Beach; Archibald R. Morrison, Secretary - Treasurer, Co., Miami, and Mr. Morrison The Ranson-Davidson Co., Inc., Miami.

In addition to the above three officers, the following men were also elected to the Board of Governors:

H. B. Craven, Smith-Craven, Lakeland; E. W. Jackson, Thomas M. Cook & Co., West Palm Beach; G. M. McCleary, The Florida Securities Company, St. Petersburg; R. D. Baldwin.

Mr. Pierce succeeds Mr. Jackson, Mr. O'Rourke succeeded Robert H. Cook, B. J. Van Ingen & Co., Miami, and Mr. Morrison succeeds George U. Robson, Cohu and Torrey, Miami.

The Association has undertaken an active and progressive program to keep the rest of the country's financial interests informed as to the development in Florida's industrial and financial growth. The members feel strongly that Florida will have a large and stable postwar growth, and that their efforts will have a part in attracting new industries and companies to share in and augment this development.

Florida's Bright Industrial Future

By A. W. HIGGINS
President, Florida Power Corporation

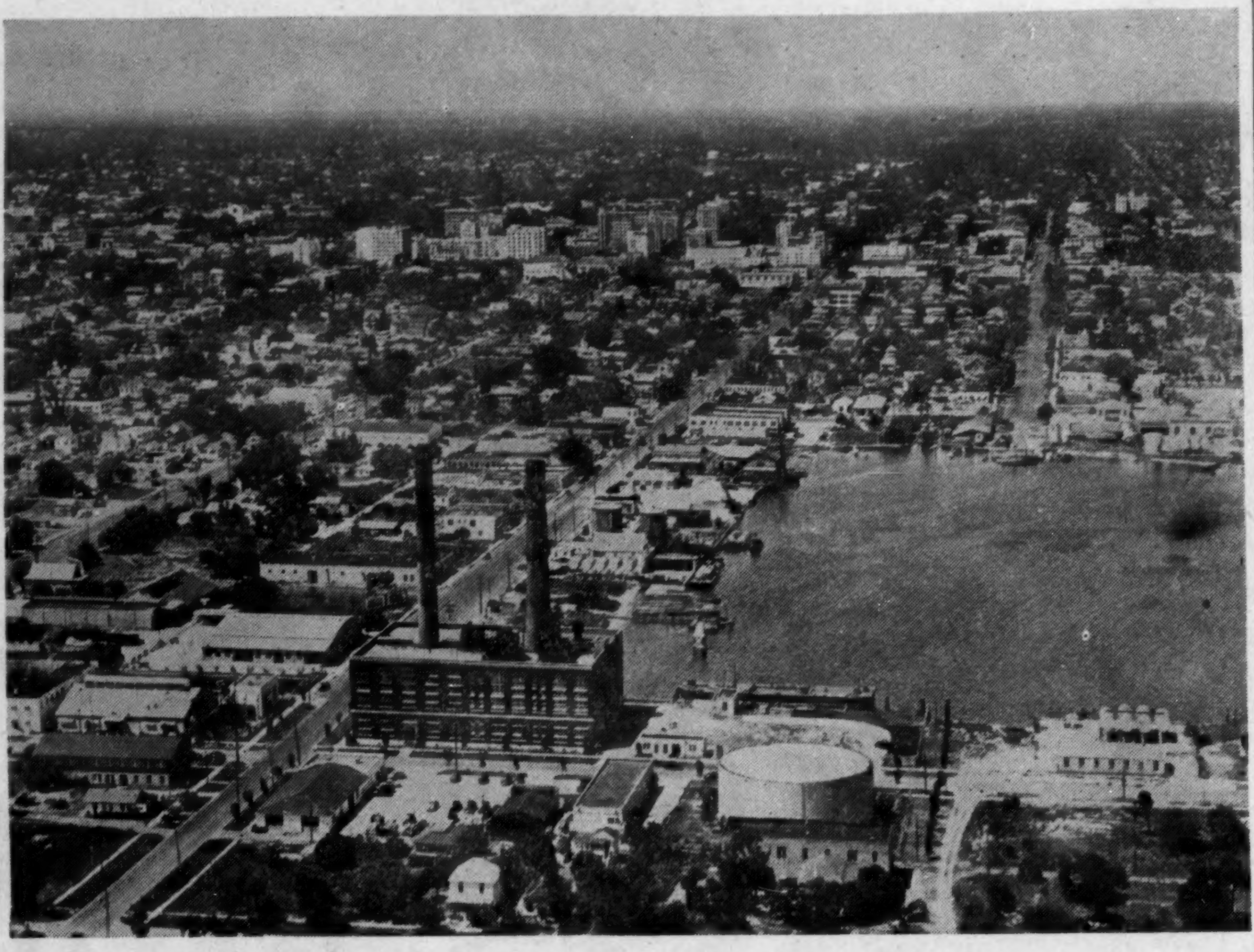
Holding That, Because of Publicized Fame as a Place of Perpetual Sunshine and Flowers, Florida's Industrial Progress Has Been Overlooked, Mr. Higgins Points Out That Because of New Developments, the State Has Already Turned From a Raw Material to a Finished Product Economy. Describes Florida's Principal Industries and Calls Attention to Mineral Products Such as Phosphate and Recently "Struck" Oil.

That Florida has not been thought of in the national scene, except by the initiate, as an industrial state is largely because of its greater and persistently publicized fame as a land of perpetual sunshine and flowers, to which the rest of the country, if it has the leisure and the fare, can withdraw in the season of snow, ice and furnace tending.

A. W. Higgins

But while this estimate of Florida has been tenaciously held in Northern points almost since the day Ponce de Leon landed here to seek the fountain of youth, countless thousands subsequently have actually found the evolution of Florida from a play paradise to a living paradise—and a working paradise not yet fully evaluated—has been gradually, but surely in the making.

To an extent little realized in the rock-ribbed and more rugged states, Florida already has been built up by the natural process of the casual or seasonal visitor deciding he doesn't want to go back home. By the scores, the hundreds and the thousands, he has decided that the climate and the other amenities of living which Florida offers are what he wants. He has found here natural advantages that have amazed him, latent resources awaiting his development, and an existing reservoir of native ability and make-to-do. To these he has added all his own resources—vast and dynamic in the aggregate—of experience, matured judgment, special skills and accumulated capital. Florida already has become the repository of much of the culture, training and earned experience of every state east of the Mississippi and several beyond it.



Air view of St. Petersburg showing Florida Power Corp. generating plant in foreground.

Florida an Industrial Factor

This could not have happened without reason. The answer is also the answer to a Florida already an industrial factor but bound to become an outstanding one. Florida has thriving resources without which her throngs of adopted citizens could not live, and she has a climate which is not only a relief in winter to the dweller north, but a boon to whomever seeks year-round relief from extremities of cold and heat and the other vagaries of weather that plague most of our nation.

In our own headquarters city of St. Petersburg, the lowest recorded temperature has fallen little below freezing and the highest is still several degrees below 100 degrees. What Northern city can you name that has not seen in winter subzero temperatures that have slowed up or even paralyzed normal activities or in summer temperatures from 100 degrees up that have been a brake upon all physical and industrial activities?

It has only recently been realized that Florida's climate is not only a good one to be in, if you wish comfort and health, but a good one to work in—a virtual guarantee of unimpeded production every working day of the year.

This realization received its main impetus from the production record—a shining one—made by Florida during the war. It became of peculiar significance through another wartime development—the devising of many new techniques and discovery of new uses through which Florida products are efficiently being processed right at home. The result is that the state is turning definitely from a raw material economy to a finished product economy which multiplies income and guarantees stability of employment on other than a seasonal basis.

Typical of the new industrial outlook may be considered citrus concentrates and ramie. The newly devised processing of grapefruit and orange juices in such a way as to reduce their bulk and yet preserve flavor and all the healthful elements for shipping, carried Florida citrus all over the world during the war. There has been built accordingly a permanent new industry which makes sure the sale of all that Florida groves can grow in a market no longer confined to a part of the United States.

The ramie plant, basis for one of the world's toughest and most useful textile and rope fibers, has been found to thrive in the rich Everglades country around Lake Okeechobee. Florida governmental and private enterprise, joining hands, not only made experimental plantings that will grow into probably huge acreage but implemented the devising of machinery that for the first time makes practicable on a commercial basis the clean removal of the vital plant fiber. No development of a natural fiber in recent years has so attracted the attention of textile and cordage technicians. One large company already has established a plant here and others are in prospect.

What Florida Does Industrially

What in the general industrial picture has Florida done already? The 1944 figures, latest that are complete, show that this state sent to the rest of the nation and abroad, 40 carloads of food every hour. This was a part of the total agricultural contribution of $405,518,000.

From its tourist industry, which Florida is not forgetting no matter how its manufacturing plants increase, the state got in 1944 some $300,000,000. The figure was vastly increased in 1945, but has not as yet been accurately assessed.

In the same 1944 period, Florida for a second time, led all the world in citrus production with 69 million boxes, or their equivalent. Their value at the packing plants totaled $202,000,000.

With the largest commercial forest value in the South, Florida delivered $75,000,000 worth of forest products. The surface, with better handling of forests and better utilization on the spot of cutting, has hardly been scratched. Much is expected of the new plastic techniques, particularly significant to forestry and revolutionary paper-making techniques. On a healthy starting basis is an entirely new industry, processing the formerly utterly useless palmetto into a plastic material with wide uses in the manufacture of articles and in construction.

Florida's great fishing industry, whether selling direct or to the growing ranks of the processor, cannot be tagged today as worth less than $25,000,000 (with further developments in processing and shipping bound to give added stimulation), while its livestock industry, busy building up cattle species, fencing range and developing pasturage, already ranks it among the range cattle leaders.

Mineral Resources

Another resource which publicity has little credited us with is mineral. Oil has been "struck" in Florida—to an extent that enabled one company to claim the state's award for commercial production but not to the extent of presenting a major producing field. Were this to be brought in, there would be another industrial revolution, what with Florida's sand, minerals, harbor facilities and stra-

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New Tasks in Securities Law Administration

By HON. J. EDWIN LARSON*
State Treasurer and Securities Administrator of Florida
President, National Association of Securities Commissioners

Mr. Larson, as the New President of the National Association of Securities Commissioners, Points Out That the Bulk of Savings and Investments Are Now Comprised in Low and Medium Income Groups and That It Is Not Only Important to Protect Their Savings but Also to See to It That the Free Flow of Capital Into Legitimate Enterprise Is Not Retarded.

The most devastating war in history has been brought to a victorious conclusion. During the trying years from Dec. 7, 1941 to its termination, the security dealers, brokers and investment companies of our country have evidenced a wonderful spirit of cooperation and patriotism in making it possible for state and federal regulatory authorities to hold fraudulent practices in the sale of securities at a minimum. This group of citizens have voluntarily refrained from pushing their own business in order to assist the Government in the sale of bonds to the public; they have contributed freely their own personal services and the services of their salesmen in the sale of Government bonds in the public good while their own personal business interests were neglected. We wish now to give public recognition and acknowledgement to them for this patriotic service rendered.

J. Edwin Larson

The war is over, but let us not forget that the transition from war to peacetime production and the establishment of a permanent peacetime economy is a more difficult task than the prosecution of a successful war. We can no longer look forward to that long hoped for time known as the postwar period, because it is already here. Now that peace has come, legitimate business is due for great expansion. Never in our history have so many people had so much money in wartime savings. The protection of these savings is of supreme importance to us as administrators. A large group of swindlers may appear with the same old schemes dressed in new and attractive attire, and many fraudulent schemes may come forth under the guise of legitimate enterprise. Government economists find that approximately 45% of the individual savings since Pearl Harbor have been accumulated by those earning under $5,000 a year. The bulk of corporation stock of this country is owned by men and women and families holding less than 100 shares each. That is why it is so necessary that we protect these savings, and equally important that we not retard the free flow of investment capital into legitimate enterprise. Our responsibility is heightened by these conditions which surround us today. In a system of free enterprise it is the accumulation of risk capital which makes possible the launching of new ideas. And new ideas mean jobs; for it is risk capital which finances the creation of industry. New industry means prosperity. Free enterprise is a system which has provided a higher standard of living and greater security and happiness for a greater number of people than any other system yet devised by man. Let us not be used as an instrument to destroy it.

The successful and equitable administration of the law against fraud in the commerce of securities has never been an easy task, but it is going to be much more difficult in the years just ahead—the years of peacetime production and expansion. We as administrators must make certain that free and legitimate enterprise is not stifled, but we must also make sure that fraud does not run rampant in the land. This is our difficult task. This is our public responsibility. Much has already been accomplished by this Association in the way of educating the public to differentiate between legitimate and fraudulent issues, and every prospective investor has been urged to use the facilities of his state securities department to make proper investigation before he invests. This work of education must be continued, and the same experienced and efficient committee has been reappointed for another year for that purpose.

Our first post-war meeting, held at the Edgewater Beach Hotel in Chicago in November, 1945, is now history. It was a very fruit-

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*Message by Mr. Larson as newly-elected President of the National Association of Securities Commissioners.

Florida: Potential Latin-American Trade Center

By McGREGOR SMITH
President, Florida Power & Light Company

Florida Power and Light Executive Points Out the Geographic Advantages of Florida as a Connecting Link in Trade and Travel Between the Latin American Countries and the United States, and Calls Attention to the Establishment of the Miami Export Sales Center by the U. S. Government as "the Biggest Immediate Magnet" for Latin-Americans and the Organization of the Pan American Bank of Miami as Well as the Proposed Latin-American Cultural and Trade Center as Instruments for the Creation of a Multi-Million Trade Mart in Florida. Urges the Completion of a Car Ferry Service and a "Caribbean Spur" of the Pan American Highway as Aid in Assisting Inter-American Trade and Travel.

The peninsula of Florida is a finger pointing directly at the potential richness of South and Central America and the islands of the Caribbean.

McGregor Smith

If you use a little imagination in looking at a map, the Florida keys curving westward to Key West make the finger appear bent in a beckoning gesture.

Economically as well as geographically, the beckoning finger is there.

No area in the United States over the past decade has made more concrete progress in cementing trade relationships with the Latin American neighbors than has Florida.

Upward of 40,000 Latin American visitors a year get their first look at the United States when fast clipper planes wing them into the busy international airport at Miami. At Miami, the Latin businessmen are mostly eight hours or less away from their offices.

On one day alone late in December last year, Pan American airways scheduled a total of 86 passenger and cargo flights to and from the Latin American area from Miami. Cargo clippers, being added in increasing numbers as equipment becomes available, carry everything from a tiny pinion for a Mexico City precision instrument manufacturer to a huge gear for a broken-down oil rig at Maracaibo, Venezuela.

Prospects are bright that within a relatively short time the establishment of various international business and banking establishments in Florida will make it possible for a Latin American businessman to come to the United States, do his buying or merchandising, and return home without ever going north of the Florida state line.

Miami Export Sales Center

One of the biggest immediate magnets for the Latin Americans is likely to be the Miami Export Sales Center where the United States Government is disposing of surplus aircraft and aircraft parts exclusively to Latin American governments and individuals.

Showrooms have been set up in the huge warehouses which served the Air Technical Service Command as a supply depot for the U. S. Air Forces during the war.

There Latin American government and businessmen can come, inspect a score of varieties of cargo and transport planes and make their purchases. There also are available something like 200,000 separate items of aircraft parts and equipment stocked for American air forces during the war.

The export sales center began its official life only at the first of this year. In the first three or four days of operation it racked up about $100,000 in sales of surplus planes and equipment to three South American nations.

Planes, plane equipment, and other aviation items are likely to find a big market in Latin America for a number of years to come.

Many of the southern hemisphere countries jumped from muleback to the airplane as a system of transportation. In many of them a journey that is only three hours long by an established air route takes four to six days by train, highway and trail. Until highway, telephone and telegraph construction catches up, air communications are going to continue to be intensified.

In Colombia, for instance, the war was scarcely over before businessmen in Bogota, Barranquilla, Medellin and Cali were bombarding United States commercial attaches and business representatives for information on how to get some U. S. planes for new and intensified air lines.

Florida banking circles are going ahead with plans to assure that all international exchange facilities will be available on the spot for carrying out U. S.-Latin American business transactions.

The Pan American Bank of Miami

The Pan American Bank of Miami, which opened last Dec. 1, lists as one of its main aims the providing of all necessary services for Latin American businessmen. It already has accounts from a number of Cuban and Puerto Rican banks.

Other Florida financial institutions are taking similar steps for handling the specialized phases of the Latin American financial business.

One Miami banker recently estimated that accounts in Florida banks representing Latin American firms and individuals now amount to tens of millions in deposits.

Part of that may be accounted for by the fact that some Latin American businessmen are finding investments in Florida as interesting as Americans find various Latin American enterprises.

Some famed Puerto Rican sugar cane-growing families and individuals have purchased thousands of acres of the rich Everglades mucklands south of Lake Okeechobee to branch out into continental sugar-producing operations.

A number of Cuban syndicates have been listed during the past 18 months as purchasers of extensive Miami hotel property, to the tune of hundreds of thousands of dollars.

Proposed Latin America Cultural-Trade Center

A long-cherished project that would at one stroke put Miami and Florida in an unchallenged spot as the United States' top Latin American cultural and trade center appears to have bright prospects for fulfillment now that the war is over.

It calls for the establishment of a multi-million dollar trade mart and cultural center, located on a causeway in beautiful Biscayne Bay between Miami and Miami Beach.

A $25,000 fund for planning the Pan American center was approved a month ago by the Federal Works Agency in Washington. It is contingent on favorable action by Congress on pending legislation providing additional funds.

As visualized by the planners, various Latin American nations would have buildings around a central convention hall. There would be space for display of natural resources and manufactured goods. Offices would be provided for consular service staffs, an international hotel, theatre, restaurant and other facilities.

The city of Miami acquired from the state title to the proposed site of the Pan American center. Each Latin American nation will, in turn, be deeded part of the area for construction of its own building and offices.

The republic of Colombia recently became the first of the Pan American nations formally to accept its site and assure its participation in the center project. Colombian officials said they expected to start actual construction of the first building soon.

Mexico, Chile, Cuba and Argentina likewise have expressed keen interest in getting started on the project, and the United States immigration service has also asked for and been granted a site for an immigration building.

"I believe that the center will help in the cementing of friendly relations among American countries," the Chilean consul in Miami, Arturo Chavez, told city officials in discussing the project.

A measure to aid in setting up the Pan American center has been offered in Congress by Florida Congressmen.

The often-discounted but at the same time highly-profitable industry of tourism is another field in the Latin American picture in which Florida appears likely to become pre-eminent.

Experts of the Anglo-American Caribbean Commission have estimated that in a relatively few years the Caribbean area alone can be built up to attract some

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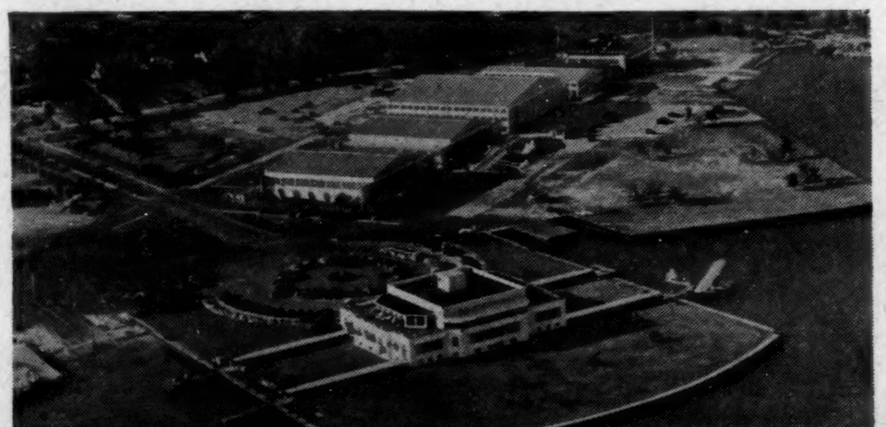

Air Gateway of the Americas. Pan American International Airport, Miami—60,000 Passengers a Year, 20,000 Visitors a Month

Pensacola: A New Center of Southern Activity

By BRADEN BALL
The News-Journal Company, Pensacola, Florida

Writer Describes the Physical, Climatical and Other Advantages of Pensacola, Which Have Contributed Toward Its Industrial Advancement in Last Decade. City Has 80 Manufacturing Establishments in Addition to Its Naval Air Training Station and Its Harbor Facilities. It Is Nearest U. S. Port to Panama Canal and Is Center of Recently Developed Red Snapper Fishing Industry. Has Ample Natural Gas and Electrical Services as Well as Other Public Service Facilities.

Pensacola probably is the most paradoxical city in the deep South, if not in the entire United States. It is famed for its Naval Air Training bases. It is the birthplace of naval aviation training. It is noted for its beach on the Gulf of Mexico, and for its resort and play appeal, as well as for its characteristically Southern leisurely living.

Less generally known, however, is the fact that Pensacola has made remarkable strides as an important industrial center in the past ten years. Pensacola, the nation's industrial authorities hint, is destined to be one of the key industrial areas of the Gulf Coast in the coming post-war spread of industry throughout the South.

Pensacola's noteworthy industrial growth in the past ten years has been a logical expansion of a city possessing many and varied advantages for industrial production and plant operation. Advantage No. 1 of course is Pensacola's incomparable climate. A year round daily average temperature of 67.7 insures a maximum of operating hours throughout the year under ideal working conditions.

The purity of Pensacola water, too, is a distinct advantage to manufacturing plant operations. Leading water testing organizations constantly report Pensacola water 99.98% pure! Absence of customary impurities insures economical boiler operation. Moreover where water is used in production the virtually 100% purity of Pensacola water lowers production costs still further.

Ample power is readily accessible for manufacturing operations in Pensacola; Gulf Power Company, serving 5,000 square miles of Northwest Florida, has favorable rates for industrial current and for natural gas. Oil and coal too are abundant for Pensacola manufacturing.

Pensacola's transportation facilities are superb. In addition to the Frisco and the L & N R R services, the city is on the main line of many important motor hauling concerns. Pensacola's port advantages have been unrivalled for generations. Pensacola is world famed for its land locked harbor, "big enough to hold the combined navies of the world." Thousand foot piers and a mean depth of 32 feet at the piers are part of Pensacola's port appeal. These are among the reasons shipping experts hail Pensacola as "the focal point of post-war Inter-America shipping." Pensacola, moreover, is the nearest U. S. port to the Panama Canal.

Air freight and air travel are headliners in Pensacola's array of varied transportation facilities. The city's Municipal Airport is barely a few minutes from the business section of Pensacola. In addition to present air line services from Pensacola to New York, New Orleans and other sections of the United States, new routes are on the schedule of forthcoming expansion.

Skilled labor is plentiful. "Homestead" tax exemptions for workers, and idyllic living conditions make Pensacola "the workers' paradise." The city has fine schools, churches of all denominations, stores, shops and recreation facilities. All these incomparable advantages are reflected in Pensacola plant production figures.

Pensacola has 80 manufacturing establishments including several basic industries which can provide raw materials for still other manufacturers who contemplate setting up post-war plants in this strategic Gulf of Mexico industrial center. Among the manufacturers who will find essential raw materials available in Pensacola are boat builders, furniture manufacturers, paint and varnish manufacturers, soap works, paper bag and box manufacturers and innumerable others in different line of business.

Among Pensacola's noteworthy industries are the plants of the Florida Pulp & Paper Company, Newport Industries, U. S. Industrial Chemicals, Armstrong Cork Company, Weis Fricker Mahogany Company, American Agricultural Chemical Company, Southern Cotton Oil Company, Keystone Drum Company, Pensacola Tool & Supply Company, and Florida Drum Company, as well as Pensacola's noted Gulf of Mexico red snapper fishing companies: E. E. Saunders & Company and the Warren Fish Company.

Highlights of the importance and achievements of several Pensacola manufacturers are reviewed briefly below:

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Ocean Beach Park Promenade at Daytona Beach

Dairying in Florida

By PAUL E. REINHOLD
President, Foremost Farms, Jacksonville, Florida

Leading Florida Dairy Executive Contends There Is Every Reason to Believe That Florida Can Become One of World's Greatest Dairy Products Areas. Says Climate Is Ideal, Winter Grazing Inexpensive, Dairying Land Cheap, and Local Markets Are Expanding. Calls Attention to New Cattle Feeds Developed Locally and to Improved Transportation for Shipment of Dairy Products.

Paul E. Reinhold

Tourists are often inclined to poke fun at Florida's "piny woods" cattle that cluster along the highways and until recently it often was said—"Florida cattle are the greatest in the United States—they have to be to stay alive on the food available." What most of them don't realize is that these wandering cattle are not milk, but beef cattle, before they have been bred up with Brahma bulls, white-faced Herefords and black Angus.

Nor do most of them realize that in beef production today, Florida is second only to the state of Texas.

Agriculture has made tremendous strides in Florida in the past few years and I believe that, even as Florida has gained a high ranking position in the production of beef, so will the state develop and improve its dairy industry.

One of the principal problems of dairying in Florida in the past has been that of food for cattle. Dairymen have been forced to import food at prohibitive freight rates. And in the past it has been imposible to grow more than 15 bushels of corn to the acre in Florida soil as compared with 60 bushels to the acre in the north.

However, in Florida the sweet potato now has been developed to the point where 300 bushels per acre can be raised, which is the equivalent of 75 bushels of corn. This has proven a tremendous boon to the dairy industry.

Besides that, the citrus industry is now contributing greatly to the dairy industry with citrus pulp and molasses, the latter a by-product, helping to fatten Florida cattle.

In addition to these comparatively new sources of food for dairy cattle, much has been accomplished in the development of permanent pastures.

There is every reason to believe that Florida can become one of the world's greatest dairy products areas and here are a few of these reasons:

The climate is ideal for good all-year pasturage and at the same time, building costs are at a minimum and the heating problem is negligible.

Florida stockmen are introducing better blood throughout their herds and are supplementing the feeds deficient in minerals with salt blocks containing the lacking ingredients.

For the first time in history, when war-time government support of the cattle industry is withdrawn, the Southeast is going to find that it has a cost advantage against its northern competitors through the fine development of pasture and forage crops which has taken place in recent years.

Winter grazing is much, much cheaper than grade feeding in winter lots in the north.

Dairying is utilizing more and more of the heretofore undeveloped land.

The population of the state is estimated to be half again as large as before the war and at the present rate of increase will be double that of 1940 within the next few years. This, plus the rapid industrialization of Florida, has created a record demand for dairy products.

The Florida Agricultural Experimental Station at the University of Florida has been conducting exceptionally succesful experiments in forage and pasture grass improvement. Fine stands of clover—equal to the clover found in the famous blue grass country—now are being raised in Florida despite the fact that ten years ago experts flatly stated that clover could not be grown in Florida's light, sandy soil.

At the University's dairy products laboratory, capable young men, many of them veterans of the second World War, are studying all phases of dairying and marketing problems.

Yes, I am convinced that everything points toward a halcyon era in Florida's dairy industry. Farm acreage has increased only 37% since 1920 but the value of farm crops, including livestock, has increased by $239,975,071, or the astonishing amount of 265%. However, many millions of dollars are sent out of the state every year for food products which could be raised in the state. In dairy products alone, Florida imports more than $30,000,000 each year and spends more than $70,000,000 annually for processed food products.

In Florida today, many agricultural fields await only intelligent development. Less than two million of Florida's 35 million acres are used for crops and it has been estimated that at least 20 million acres are adaptable to farming.

We of Foremost Farms are humbly proud of our contribution to the dairy industry in Florida. Our home office is situated in Jacksonville, Florida, and it is from that focal point that we have branched out until today we have more than 30 dairy plants operating in as many cities in ten states.

We have constantly and persistently endeavored to upgrade Florida cattle and at one point in our program we presented farmers of Duval County with one purebred cow for each ten cattle they purchased. This program proved very popular and contributed considerably toward increasing the herds of purebreds in Duval County.

It is a fact that prior to 1930 few of Florida's dairymen made any effort to raise the heifer calves dropped in their herds. Milk was high in price and there was little surplus, hence few calves were raised.

But during the past few years I have observed that a great many dairymen in different parts of Florida have been purchasing good bulls and have been doing a splendid job of improving their herds by raising heifer calves from the better cows in their herds.

For several years past the Florida Jersey Cattle Club and the Florida Guernsey Cattle Club have been holding annual sales and both male and female animals have been sold. As a result, the state is now well supplied with purebred breeding stock of both Jersey and Guernsey cattle. A number of purebred herds of both breeds have been established and they contain some of the best blood lines that can be obtained.

Most of the state's large dairy centers are situated near the larger cities and tourist centers. This is due, of course, to the greater demand for milk.

However, I believe that this arrangement is due for a change. Transportation and refrigeration facilities are rapidly improving and I foresee the time when Florida milk is produced at some distance from the larger cities and shipped there when needed. Right now, very little milk is shipped

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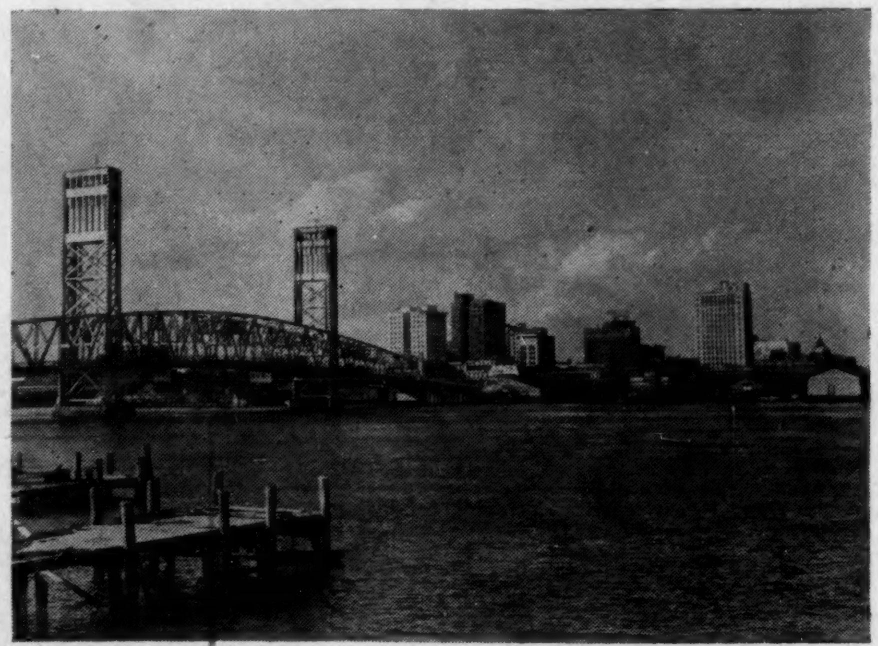

Skyline view of the city of Jacksonville, Florida, looking North across the beautiful St. Johns River. The Main Street Bridge, at left, leads tourists from Jacksonville to South Jacksonville and on to U. S. Route 1 which goes to Miami

Tapping the Everglades: Nature's Great Empire

By CLARENCE R. BITTING
President, United States Sugar Corp.

Clarence R. Bitting, Successful Agro-Industrialist, Leads the Way to Reclamation of Vast Areas of Florida Wasteland Where An Important Agricultural-Industrial Enterprise Is Being Created. He States That Research and Water Control Prove Success in Man's Long Struggle to Tap Resources of 4-Million-Acre Wilderness "Whose Potentialities Are Limited Only by the Imagination". A $7 Million Starch-Root House, Scheduled for Early Large Scale Production, Is Latest Unit in Diversified Program That Specializes in Supplying Commodities for Our Domestic "Have Not" List. Single-crop Farming Hazards Have Been Reduced as Laboratory and Field Tests Are Proving Up Many Crops to Supplement Bitting's Initial Venture in Cane Sugar, Which Still Is the Mainstay. With Experimental Stage Behind Him, a Pioneer Looks at the New Year and Sees Era of Great Production and Employment in a Land Where Only Alligators Once Thrived.

The feat of the Chicago pork packers in salvaging "everything but the squeal" has long been the popular example of applied business research in converting waste into production. Today the story of how the vast wastelands of the Florida Everglades — the country's last frontier — are being brought back into large-scale production of 'have not" products is challenging the attention of thoughtful persons who have chanced to learn something of what is going on in this 4,500,000-acre wilderness.

Clarence R. Bitting

Unlike the Florida land boom, with its attendant ballyhoo, the reclamation of vast areas of Everglades has been progressing apace the last 15 years under a reticence characteristic of true applied research. It has been, and still is to some extent, a trial-and-error progression. But it has long since emerged from the realm of pure experimentation. Tremendous as has been the development of the Everglades in the last decade, the possibilities of the area have been scratched only deep enough to reveal it as one of the largest unreclaimed areas of great fertility on the face of the globe.

For more than a century the Everglades—a name descriptive of a glade that stretches forever beyond view—has intrigued the explorer and scientist. Finally, the key that unlocked its potentialities was found. It was water control, as opposed to drainage, plus chemical amendments of the soils to correct the absence of minor, but essential, elements necessary to activate its great natural fertility. Its flat, nearly treeless expanse, has been centuries in the making. It comprises layer upon layer of decayed vegetable growth supplemented by silt deposited by flood waters from the highlands.

The Everglades' Agronomical Achievements

The alchemists of old who strove vainly to transmute base metals into gold, would look enviously upon the achievements of modern agronomy in the Everglades. Today agronomists, organic chemists and allied scientists transmute the sunshine, water and soil of the 'Glades into products more valuable than precious metals. From its natural and ever-abundant resources, the area produces carbohydrates, proteins, fibers, cellulose, oils and fats — the basic raw materials for the nation's food, beverages, clothing and shelter, plus many other modern needs and conveniences, through the application of agro-industrial science.

Quite by accident in 1930 the writer became exposed to the mysterious challenge which the vastness of the Everglades had exerted upon so many others before him. His was a salvage operation undertaken at the behest of former business associates. Up until that time his only connection with agriculture was an inactive hereditary association that had been constant with eight generations of Bittings since that very early day when an adventuresome Bitting acquired his first New World farm holdings out of William Penn's Golden Book. As the reorganizer of a defunct cane-sugar enterprise on the banks of Lake Okeechobee, the writer became President of the United States Sugar Corporation, which took over the ill-starred pioneering operation. For the last 15 years the engaging problems and gratifying results of pitting scientific research against the sullen resistance of this vast morass that has broken so many pioneering spirits, has been so engrossing as to steal more and more time from other business pursuits. And the dividends which investors and management have received for their contribution have also been gratifying.

Area's Suitability Limited to Large-Scale Operations

The Everglades is not an area suited to small-scale farming. A farmer operating but two sections of land, approximately 1,250 acres, is today considered a small operator. This is due to several reasons. In winter vegetable production and risks are great and the rewards commensurately large. The loss of $100,000 on a vegetable crop must be taken by the Everglades farmer in his stride. When he wins, he wins at odds of $1,000 or more profit per acre. Always, he must carry a heavy investment in equipment. In such staple crops as sugar, starch-roots, essential oils, and ramie—as well as livestock—the risks are less and the gains smaller but more constant than is the case with winter vegetables.

Long before large-scale operations in staple crops were undertaken successfully by such enterprises as the Sugar corporation, hardy pioneers, braving not only the weather risks inherent to winter vegetable plantings, but the ever-present danger of drowning in the hurricane-propelled flood waters of the then ill-dyked Lake Okeechobee, gambled for big stakes in greengoods for the high priced winter markets. Now, with water control established by scientific means and with the lake enclosed by strong dykes, the coastal rim of Okeechobee supplies daily train loads of beans, peas, potatoes, cabbage, celery, lettuce and tomatoes for the metropolitan markets of the north

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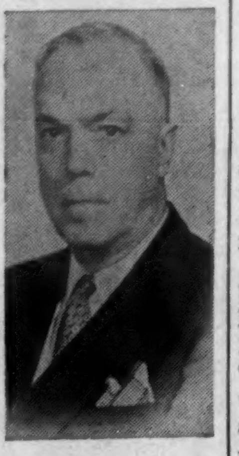
Speeder Cane-Loaders in Operation

Florida's Place in Frozen Food Industry

By JAMES W. MARTIN
Vice-President, Broquinda Corporation, St. Petersburg, Fla.

Mr. Martin, After Outlining the Problems and Progress of the Frozen Foods Industry, Points Out That, Although Handicapped by Transportation and Other Difficulties, Florida Has Begun a Development in the Production of Quick-Frozen Foods, Which Promises Rapid Expansion in Next Few Years, Because of Large Output of Citrus Fruits, Vegetables and Fish, and the All Year Round Growing Season for These Products. Holds Florida Is Large Potential Producer as Well as Consumer of Frozen Foods.

The start of the Quick-Frozen Food Industry can be logically fixed as in the late 1920's and the man whose vision and knowledge contributed most to its birth is Clarence Birdseye.



James W. Martin, Jr.

At first, the growth was slow and hampered by the depression years, and for many years there were but few producers in the business. Today there are 400 to 450 processors of quick-frozen fruits, vegetables, sea foods, meats and poultry. In 1945 the volume of the quick-frozen food business was about $200,000,000, or about 1.2% of the total of all perishable foods.

It is estimated by M. L. Chamberlain, analyst for Standard & Poors Corporation, that within 10 years the annual volume of the quick-frozen food industry will be eleven billion dollars, or 65% of all perishable foods and that the number of processors will increase to 2,000. To translate this money volume into tonnage, the present production is in the neighborhood of 565,000 tons annually.

Among the reasons for the phenomenal growth of the frozen food industry are the following:

1. The taste and attractiveness of the frozen food is not changed materially from that with which the public is accustomed.

2. It saves time and labor of preparing a meal. Much of the kitchen drudgery is done mechanically in a factory. The dearth of domestic servants has had quite an influence on the popularity of frozen foods.

3. Makes possible a wide variety of foods the whole year around.

4. Permits brand marking of foods with accompanying emphasis on uniformity of quality.

5. Consumer buys only edible portions of the food with no waste such as pods, stems, bones, etc. This simplifies storage as well as preparation.

6. Frozen foods may be held for long periods of time in restaurant and domestic refrigerators and freezer cabinets, thus permitting bulk purchase and a wide selection for any meal.

7. It is basically economical.

(a) Materially lowers shipping losses. The average loss and damage claims on railroad shipments of fresh perishable produce range from $5.85 per carload for apples to $18.47 per car for tomatoes. The loss on shipments of frozen foods is estimated as less than a dollar per car.

(b) Eliminates spoilage in the hands of retail distributors. This spoilage of non-frozen produce will average 5% in the winter months and 10% in the summer months.

(c) Saves about 50% of the weight and 75% of the volume of produce shipped. This occurs through the elimination of non-edible portions of foods before freezing, and the compression into packages.

(d) Eliminates gluts on the market which cause much loss when any market becomes surfeited with a highly perishable food product.

Transportation of Frozen Food

The greatest problem in the frozen food industry today is that of transportation and distribution. The methods of preparing and freezing of the foods have received much attention and the problems of cold storage warehousing, temporary storage at the distributors, and freezer cabinets at restaurants and home kitchens are being solved rapidly. The problem of shipping frozen foods from freezer plant to cold storage, from storage to distributor and from distributor to customer is the last major problem to be solved.

Here in Florida we have long distances to cover. On incoming frozen products, the distances from major production areas are unusually great. Frozen berries, (except strawberries) are shipped mainly from Washington and Oregon, frozen cherries from Michigan, frozen butter from Wisconsin, frozen poultry from the Mid West, frozen peas from Utah and New York State, and other fruits and vegetables from Tennessee, Georgia, Virginia and Delaware. Much of the frozen fish comes in from New England, and frozen meat from Indiana, Illinois and Kansas.

These long distance shipments into Florida are received and warehoused mainly at Jacksonvile, Tampa, and Miami. From these warehouse points they are distributed to the smaller communities as required.

Outgoing frozen products are faced by the same problem of transportation to the large centers of population.

As was stated above, frozen foods are more compact in volume and more concentrated in weight than is other perishable food and therefore can be efficiently transported. For instance a bushel of spinach will weigh about 20 pounds in its usual shipping basket, but after it is hand-sorted to eliminate all yellow or infested

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Bathing Beach at Miami Beach

Typical Florida Corporations

Include a Varied Assortment of Flourishing Enterprises Which Make Money

Burdine's, Inc.

Incorporated in Florida in 1929 as succesor to company of the same name under capital readjustment plan. Operates a department store in Miami and branch store on Lincoln Road, Miami Beach. Miami store operates a six story building with 210,000 square feet of selling floor space. Company is currently planning a building program in connection with the Miami store calling for an eight story building and the construction of two additional floors on the presently occupied building. The company completed arrangements during 1944 for the purchase of a building site in the center of the retail section of Fort Lauderdale, Florida, and contemplates the erection of a store building as soon as building conditions will permit.

Canada Dry Bottling Co. of Florida, Inc.

Incorporated in Florida in September, 1939 and acquired November, 1939 assets of Canada Dry Bottling Company of Jacksonville and Miami division of Canaday Dry Ginger Ale, Inc.

Has exclusive license to manufacture, bottle, sell and distribute Canada Dry Beverages in Florida and six counties in Georgia.

Also licensed to bottle and distribute Hires Root Beer in 33 Florida counties. Plants are located in Jacksonville, Tampa and Miami.

Canada Dry Ginger Ale, Inc. have recently made an offer to buy all of the company's stock at $10 per share.

Florida Foods, Inc.

Florida Foods, Inc. was organized by National Research Corporation under Florida laws in April, 1945 for the purpose of producing and selling orange and other citrus juices reduced by a vacuum process to a liquid concentrate or dry powder form.

Company is now building a plant at Plymouth, Florida capable of producing 5,500 pounds of powdered orange juice per day and 5,000 gallons of concentrate.

Pending construction of plant, company's office is in Orlando, Florida.

Fifty-six thousand shares of company's $2 cumulative convertible preferred stock was recently offered at $50 per share.

Florida Portland Cement Co.

Incorporated in Delaware 1925. Company is engaged in the manufacture of portland cement and its plant in Tampa, Florida has a productive capacity of over 1,500,000 barrels per annum. Company's raw material deposits are located about 50 miles north of Tampa and are owned in fee. They consist of approximately 400 acres of high grade limestone which it is estimated will provide its stone requirements for the next 100 years.

Company is under the management of Cowham Engineering Co. of Chicago.

Florida Power Corporation

Company was incorporated in Florida July, 1899 and reincorporated in December, 1943, subsequently acquiring all the assets of Florida Public Service and Georgia Power & Light Company. In 1945 the company became a totally independent operation through the divestment of the assets and the simplification of corporation structure of General Gas & Electric Corporation, its parent, who, in turn, was controlled by Associated Gas & Electric Company.

Part of the common stock in Florida Power Corporation was distributed by General Gas & Electric Company to its Class "A" stockholders and the remainder offered through competitive bidding and distributed publicly in October, 1945.

Company serves most of western and north-central Florida and through its subsidiary, Georgia Power & Light Companyy, serves the southern portion of Georgia. Home offices are located in St. Petersburg, Florida.

Florida Telephone Corp.

Incorporated in Florida Oct. 1, 1925, as consolidation of number of independent companies. The company serves 27 communities in north central Florida and operates 2,430 miles of toll line. Number of stations as of Dec. 31, 1944 —8,617.

Foremost Dairies, Inc.

Incorporated in Delaware in October, 1931, when company purchased the assets of Foremost Dairies Products, Inc. founded in 1929.

Company under the trade name of "Foremost" markets such items as milk, cream, butter, cottage cheese, ice cream and frozen confections. Foremost owns in fee 21 plants located in the key southern cities and in Brooklyn, New York with the home offices in Jacksonville, Florida.

Gulf Power Co.

Incorporated under the laws of Maine in 1925. Company is a subsidiary of Commonwealth and Southern Corp. Company serves at retail 59 communities in West Florida, the principal city being Pensacola. Total population served in excess of 300,000. Most of territory served outside of Pensacola is rural devoted to timbering and naval stores, pulp and paper manufacturing and agriculture.

Hialeah Race Course

Hialeah Race Course is one of the country's finest race tracks representing an investment of $3,000,000. The track is a mile and one-eighth with a turf course 146 feet less than one. The club house and grandstand are built for comfort, utility and beauty. There are 26 barns with 1,560 stalls.

The late Joseph E. Widener obtained control in 1931 retiring from active management in 1939. John C. Clark became president in 1940.

Since 1931 over $2,000,000 in bonds and preferred stock have been called, leaving only 185,910 shares of common stock outstanding. Having shown operating losses for the years during the racing ban, a substantial amount was recaptured in tax rebates. The company looks forward to its biggest meet in 1946.

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A Ranch Near Arcadia

Tapping the Everglades: Nature's Great Empire

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and east. Existing markets may not absorb much more than the present production of winter vegetables and any substantial increase in supply may result in unprofitable prices. Fortunately, other and non-competitive crops have been developed through research and trial for the intensive farming areas already wrested from the Everglades and for the thousands of additional acres that the laws of supply and demand will call into production.

Sugar Cane Still the Mainstay

Sugar cane was the first resort of pioneers in large-scale staple crops, and it still is the mainstay of the Everglades. Today more than 30,000 acres of growing sugar cane supply the needs of the U. S. Sugar Corporation's sugar house at Clewiston, on the western shore of Lake Okeechobee. Another sugar house to reduce additional acres of cane juice to golden crystals of raw sugar is now under construction by other interests. A third is expected to be built this year near Belle Glade and site has been acquired for a fourth sugar house near Indiantown.

With full development of sugar producing possibilities in the Everglades, this nation should never again be forced on short rations of this basic commodity. This security could be obtained by utilizing perhaps no more than 30% of the 'Glades lands available to intensive agriculture.

Sugar is a pure carbohydrate, and in the search for other crops suited to the Everglades, it was but natural that attention be directed to other carbohydrates. After ten years of laboratory, test-plot, commercial-field, and semi-commercial plant research and operation, the most modern starch extracting facilities in the world are now complete and will commence commercial production at Clewiston next fall. This plant was designed for an input of 30 tons of starchroots per hour. Test runs indicate a probable input capacity of more than double this quantity, due largely to improved methods and techniques developed during construction.

Commercial fields have yielded more than 20 tons of starch-roots, with a starch content in excess of 25% per acre-year. With a 300-day harvest, such a plant would utilize the product of 12,000 acres, and with the increased capacity mentioned will be able to utilize the production of 25,000 acres.

In addition to root-starches, the facilities will produce about one-third as much high-grade feed for livestock. Starch production now is based primarily on sweet potatoes, but commercial-scale plantings of arrowroot hold promise of excellent yields of these finest quality starches. As with sugar-cane, neighboring farmers will be encouraged to produce the raw product under contract.

It is our expectation that starch producing facilities will follow the proven pattern of our sugar operations, and in time will utilize 20% of the lands suited to intensive agriculture.

The Development of Ramie

One of the intriguing agro-industrial experimentations in the Everglades has concerned research on ramie. Since the turn of the century many individuals and organizations have invested time, money and effort toward solving the problems of decortication and degumming of this truly wonder fiber. Within the last year the United States Sugar Corporation and Newport Industries have undertaken the joint development of growing and processing of ramie on a commercial basis. Two other projects are utilizing the Everglades as avenue for parallel research in this direction. When and as this crop has been proven, the processing methods perfected and the product accepted in the market places as a major entry in the textiles field, it will utilize upwards of 20% of the lands available for intensive cultivation, and very probably a like acreage of lands now adaptable to extensive farming.

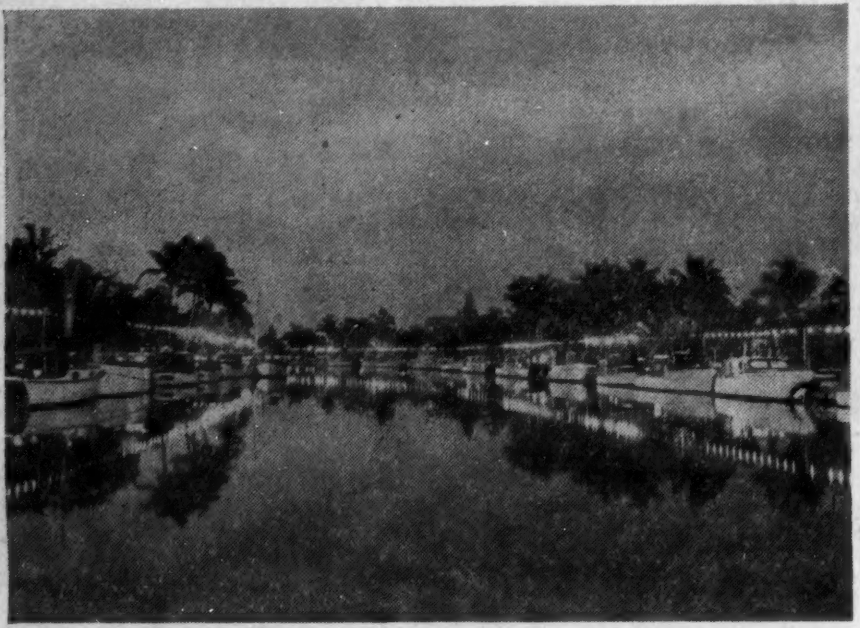
Ramie has been called the wonder fiber. An article in the June 30 issue of the Atlanta Federal Reserve Bank's "Monthly Review," provides this discription: "The tensile strength of ramie is four times that of flax, more than eight times that of cotton, about three times that of hemp, and almost eight times that of silk. In elasticity, ramie is equal to cotton, is better than flax by 50% and is better than hemp by a third. It is, however, much less elastic than silk. The torsion strength of ramie is somewhat greater than that of either flax or hemp, but is much less than that of cotton or silk. . . . Ramie is more absorbent than is cotton, holding water to the extent of 28.5% of its dry weight. . . . Instead of losing strength when wet as do many fibers, particularly synthetics, ramie is 30 to 60% stronger when wet than when dry. On the other hand ramie dries more readily than does flax or cotton. It has the additional advantages of being nonshrinkable, and of being highly resistant to mildew as well as to the attack of micro-organisms that cause rot. When thoroughly cleaned of gums and pectins, the fiber is pure white in color, without bleaching, and has an almost silk-like luster and texture. It dyes beautifully and retains the dyes as well as cotton does. Ramie fiber can be spun, woven and knit on standard textile machinery and can be made into fabrics resembling gossamer-like silks, fine cotton cloth, woolen goods, linens and others on up to the coarsest kinds of cloths. Its qualities suggest a very wide field of usefulness. . . . In its first impact on the textile market ramie may actually benefit rather than harm its competitors for through blending it will overcome some of the deficiencies of the older fabrics. Ramie would add lightness and minimize shrinkage when mixed with wool; it would add strength and luster to cotton and it would offset the low wet strength of rayon."

Essential oil grasses, vegetable oils and fats (including, among others peanuts and sesame), medical herbs and pharmaceuticals are all the subjects of research, semi-commercial and commercial plantings in the Everglades. Progress to date indicates that these crops may well utilize upwards of 10% of each of the areas now adaptable to intensive and extensive farming. Everglades production of some of the essential oils from grass crops was the only source of supply of these needed materials during the war years.

The Wide Use of By-Products

In the search for crops suited to the Everglades, their by-products have not been neglected. Blackstrap molasses is a by-product in the production of raw sugar. Spent grasses are by-products of essential oils from oil-bearing grasses. Vines, fiber and non-recoverable carbohydrates are by-products of root-starches. Vines, pomace and meal are by-products of vegetable oils and fats. Tops, leaves and stalks are by-products of ramie. All of these, singly and in combination, are or may be used in the production of high-grade dairy and livestock fattening feeds. Many of these same by-products are susceptible of further treatment for the recovery of valuable products, such as vitamins, proteins, carotene, glucose, dextrose, syrups, solvents, alcohols, yeasts, diastase, etc., and many of them have been, or are now, the subject of research projects. Some already have passed the pilot-plant stage and await only the opportune time for commercial operation. The residual fiber in cane-sugar production, known as bagasse, has been used in the manufacture of building board in other areas; in Florida it has been used in pilot-plant and semi-commercial production of alpha-cellulose, boxboard and corrugated board.

A famous scientist once said that if one wished good health, a strong body and sound constitution, he should be most careful in the selection of his grandparents. This advice has been rigorously applied by research scientists in the development of



Charter Fishing Boats at Ft. Lauderdale

the Everglades. The area is served by an experimental station of the U. S. Department of Agriculture and the Southern Research Laboratories of the Department, located at New Orleans, as well as by state university experimental stations. In addition, the area is unique in having at its disposal the privately owned and operated research facilities of the United States Sugar Corp., the largest of their kind in the country. Applied research in types and varieties of produce, in cultural methods, and in extracting techniques is the secret of the phenomenal development of the Everglades in recent years. The laboratory investment has paid off hugely.

Much of the land of the Everglades, as well as the great stretches of sandy and sand-loam soils to the east, the west, and the north of the 'Glades, are well adapted to livestock operations. For many years livestock has ranged on native pasturage in these areas, even during the years of the tick infestation. Now that the area is tick-free and the quality of the stock improved, applied research has demonstrated the possibilities of improved pastures. Modern pastures will support one head of cattle per acre, as compared with 15 to 20 acres of native pasturage required to support a steer. Just west of Clewiston and south of the Palm Beach-Fort Myers highway, are more than 4,000 acres of improved pastures and dry-lot finishing pens of the United States Sugar Corp. Five breeding herds are maintained—Angus, Hereford, Shorthorn, Brahman, and Commercial (mixed breeding). Feeder steers are purchased from neighboring stockmen, are grass-fattened for four months on improved lush pastures, and finished for 60 days on by-product feeds in dry-lot pens. The improved pastures west of

Florida's Bright Industrial Future

(Continued from page 396)

tegic location. Meanwhile, Florida is shipping out $25,000,000 of mined minerals aside from oil each year. With new techniques of processing and with new appreciation of the Florida home-handling potential, an increasing amount of the state's resources—agricultural, forest, maritime and mineral—will go out as finished

Clewiston are fenced in 160-acre units, each of which is supplied with abundant water and with facilities for rapid run-off of surface waters. These relatively small pasturage or range units reduce labor requirements to a minimum and permit the use of fields which are in top condition. Different fields are planted to different grasses maturing at staggered intervals, thus insuring abundant and continuous pasturage. Grasses in improved pastures include Common Bermuda, Coastal Bermuda, Tifton 35 Bermuda, Para, Carpet, Dalles, Bahia, Pensacola Bahia and St. Augustine varieties.

Like the grasses, where many were tested and few chosen, the story of all research in the Everglades has been one of wide experimentation and narrow selection. More than a half million "weddings" of sugar canes were required to develop the less than 50 high-yield varieties that now grow lush in the fields around Clewiston.

In a land where possibilities are limited only by the imagination, we have sought, however, to confine our research to the domestic "have not" crops—or those for which demand considerably outpaces the domestic supply.

In man's age-old battle to force the Everglades to contribute of its great fecundity to the nation's storehouse, the New Year holds the greatest promise of success.

products by rail, truck, vessel and airplanes.

The largest and richest concentration of phosphatic rock on the continent is in the west central part of Florida which our company serves. This has been worked by open mining for many years and the crude product has been shipped out of the state for processing elsewhere. What the Florida future holds is demonstrated by the fact that the Victor Chemical Works, leading producer of phosphorus, has just closed a contract with our company which will establish in Pinellas County, where our home office is, a $2,000,000 plant incorporating one of the world's largest electric furnaces for reducing pebble phosphate to phosphoric acid—base for final processing at Chicago and other points, into an untold number of food, pharmaceutical and industrial products. Before locating here, where the phosphate deposits are concentrated, the company was under great pressure to set up its new plant in Tennessee, the Pacific Northwest and other localities.

With two plants already established in Tennessee Valley Authority territory, it still chose an area in which the power supply was by a privately (and completely private) stockholder-owned corporation. The factors were: natural advantages as to climate, supply of raw material, rail delivery, tidewater shipment possibilities and favorable power rate as well as guarantee of constant power for 47 weeks out of the 52, which TVA was not ready to deliver.

Ironically, this contract for power, one of the largest in the history of Florida, was signed when a state official was asserting apparently without the facts in hand, that power rates were holding Florida back industrially. Florida rates for power, both industrially and for domestic use, are on the contrary descending, with financial reorganization cutting loose from old and outmoded holding companies, and some of the most advanced improvements in plant efficiencies to be seen in the whole country.

One more word. Florida, as we have seen, has been a reputed Mecca since Ponce sought the famous fountain and came to grief. It has been known since before the United States was a nation that Florida was a fine place to go—and stay. But getting there for centuries had been difficult. Only those with much time and money accumulated attempted it.

Today, however, you can get to Florida from New York in as few hours as it formerly required to get to Providence or Albany. Florida now is "just down there a piece" and it is also so placed as to become the stepping ground to all Latin America, for which it can make goods for instant delivery, and the future center for an agri-industrial economy which can serve the North, the East and the Middle West with all its off-season needs in a matter of hours.

Sunny Isles, Miami

Florida's Place In Frozen Food Industry

(Continued from page 402)

leaves and stalks, and thoroughly washed, it can be packed into eight small cartons weighing 14 ounces each. A carton of frozen spinach that would occupy the same space on a truck as a bushel basket will contain about 60 pounds of edible spinach. This 60 pounds of edible portion of spinach would require 60 bushels of spinach as shipped fresh. Thus for one truck to carry frozen spinach it would require 10 trucks to carry the same amount of edible spinach if handled unfrozen. Through saving space, the freezing of food makes it possible to ship long distances economically.

The difficulty in transportation lies in the fact that frozen food must be refrigerated at all times to a relatively low temperature. It is not enough that the food be kept below its freezing point, but it must be kept sufficiently cold to prevent loss of quality and taste. Frozen food depreciates in vitamin content, in appearance, in taste, in odor and in storage life unless the temperatures are kept below 15 degrees F.

Harry Carlton in his book "The Frozen Food Industry," sums up the whole subject of frozen food deterioration in the following words:

"Frozen food which has been allowed to deteriorate at any stage of the preparatory operations, or which has been subjected to fluctuating or too high temperatures during storage or transportation, or exposed to dehydration on account of inadequate packaging protection, will show the effects in color, flavor, texture and vitamin losses. The deterioration is liable to be even more apparent both as to appearance and flavor than similar losses of quality in fresh fruits and vegetables; and the off-quality frozen product is even less salable than stale, wilted fresh produce, which usually can be unloaded on some careless housewife, in a telephone order, or sold at reduced price to a 'Bargain-hunter.' The consumer expects a standard quality in a packaged product, and resents variations which would be taken as a matter of course in buying fresh fruits and vegetables in a city market."

In the normal storage of frozen foods, the dangers to quality discussed above are being carefully avoided by low and non-fluctuating temperatures — but in the **transportation** of frozen foods the problem is still very acute.

This problem of low temperature transportation is being solved in most sections of the country by the use of dry ice as a refrigerant. This product which was first produced commercially in 1925 had sales amounting to more than 350,000 tons in the year 1945. The major portion of these sales was absorbed by the frozen food industry.

Florida in the years before and during the war has been handicapped by a lack of production of dry ice within its borders. This condition is scheduled to be corrected in the near future by the erection of several large plants. Further than this, Florida has been the home of the development of probably the most outstanding system of using dry ice economically and with close temperature control. This system, originally developed in St. Petersburg, is known all over the United States as the Broquinda System. Several refrigerator cars and a large number of trucks have been equipped with The Broquinda System and more tnan a hundred shipments in these refrigerator cars and several hundred shipments in the refrigerated trucks have been made. In a few months the Broquinda System should be available all over the country. It offers to the shippers of frozen foods:

Any temperature from below zero to 60 degrees F.

A closely controlled temperature that will not fluctuate.

A uniform temperature throughout the load.

The possibility of a larger load of frozen food in truck or car.

An economy in cost of refrigeration per ton of produce and in initial cost of equipment.

A light weight refrigerating system.

A rugged, fool proof system of refrigeration with virtually no maintenance cost.

A non-mechanical system not subject to mechanical failure.

This method of refrigeration appears destined to solve satisfactorily the troublesome problem of the transportation of frozen foods.

Marketing of Frozen Foods

The market for frozen food is in three general types of trade:

1. The Processor's Market: Here it is a raw material to be processed into some other form of food product—such as ice cream, pies, fruit syrups, beverage seasoning, preserves, jams, etc. The containers for this market range from 450 pound barrels to the 30 pounds (or less) package.

2. The Institutional Trade: Here frozen food is sold to restaurants, airlines, ships, dining car services, orphanges, hospitals, and all other types of institutions. The containers used are mainly 2½ to 30 pound packages.

3. The Retail Trade: All types of frozen food enter this trade—fruits, vegetables, meat, stews, fish, poultry, uncooked bakery products, cooked meals, etc. It is usually packaged in cartons and the package will weigh approximately one pound. Frozen foods are not limited to any particular class of retailers—grocers, butchers, fish markets, fruit stands, delicatessens, department stores, as well as direct home delivery services—all are now distributing frozen foods in the retail trade.

Prior to 1937 about 70% of frozen foods went into the institutional trade and about 30% into the retail trade. Since then the trend has set strongly toward the retail trade and now probably the greater portion of frozen foods are sold for household consumption.

The sale of frozen foods to the retail trade was delayed for several years through a lack of low temperature dispensing cabinets in the retail stores and by the lack of freezer space in the domestic refrigerator. Both of these handicaps are now being rapidly overcome. Dispensing cabinets of many designs and even automatic vending cabinets for frozen foods are now available to the distributors. The housewife has, or soon will have, large freezer compartments in the new domestic refrigerators and deep freeze cabinets for home use. Frozen food lockers are now being made available as rapidly as the manufacturers can convert from war work.

Florida has been backward in the establishing of frozen food lockers, having in 1941 only five such plants out of the United States' total of 4,156. This lack is rapidly being remedied, as is the lack of dispensing cabinets at food distributing stores.

This rapidly spreading purchase in Florida and all over the country of equipment in which frozen foods can be distributed and taken care of properly in the home will have a tremendous effect on the tonnage of frozen foods sold in the United States.

Trends in Frozen Foods

It may be interesting to note some of the newer products and channels of distribution that will soon contribute to this growth in tonnage of quick-frozen foods.

A. D. Gordon, in a recent article in the "Wall Street Journal," stated:

"One of the newest wrinkles in quick-freezing, on which many packers are betting as a coming big money-maker, is pre-cookea, ready-to-serve, food. First prepared less than six years ago, when a former California restaurant chef began freezing steaks, stews and soups in consumer sized packages, the idea has grown until now about a dozen plants throughout the country are commercially freezing dishes ranging from potatoes au gratin and curried chicken to pork - and - beans and Welsh rabbit.

"In New York for example, one company is quick-freezing thousands of entire meals on disposable plates. The Naval Air Transport Command buys them under Government contract. Typical menus include meat loaf with candied sweet potatoes and spinach; breaded veal cutlets with peas and fried potatoes, or steak with asparagus and French fries. For defrosting, the plates are placed six at a time into a special oven with hot circulating air and come out sizzling.

"There is a new frozen dessert dubbed 'Velva fruit' by its scientist-inventors. It is counted on as a commercially profitable outlet for thousands of tons of fresh fruit which goes to waste each year.

"Velva fruit, in peach, raspberry, strawberry and other flavors, is made by freezing a fresh fruit puree with a little gelatin and sugar in a regular ice cream freezer.

"On the West Coast, after sugar supplies increase, this product is expected to absorb large tonnages of too-ripe cantaloupes, plums and other highly perishable fruits which can't stand the long trip East or can't be marketed because of skin blemishes or off-sizes and shapes."

To quote further from the "Wall Street Journal":

"A revolution in the distribution of meat has appeared on the horizon. It's the general sale of beef, lamb, pork and other products in frozen form. That isn't a new idea—the packers had a tentative and unsuccessful try at it 15 years ago—but this time it seems certain to make progress.

"A top official of one packing house says: 'If you had asked me about frozen meat prospects three years ago I would have said the chances of this product getting some place were about zero. I've changed my mind mainly because of the interest which the home freezer industry is building for this way of selling.'

"The 'frozen meat era' when it does come, holds forth lots of pleasant promises for the public.

"It means, for one thing, that you will be able to buy steaks of uniform tenderness, week after week. Today, if meat is aged to make it tender, the retail store does the job. It's largely guesswork. But if the meat is pre-cut at the packing house, it can be systematically aged by experts before freezing. One packing house even reports that it is perfecting a mechanical method for grading the degree of tenderness."

"Business Week" recently printed the following:

"New process, pastries in freezers instead of ovens, and they sell like hot cakes. That's what E. Gordon Male, Oak Park (Illinois)

Ocean Beach Park at Daytona

baker, discovered in the summer of 1944 when he first offered his customers frozen unbaked pies, cookies, and other products. By January he had acquired nine used freezers of various descriptions, moved them into an adjacent store and organized Frigid Dough Products Company as a division of his bakery, Pearson's Inc.

"Now, through a distributor, Chicago Frozen Food Co., he divides his limited output among such top flight retailers as Marshall Field & Co., The Fair, Weiboldt, Inc., and the Edgewater Beach apartment commissary.

"Male claims all his products will keep at least 90 days if frozen solid; pies can be kept safely for a week, and certain cookies up to 60 days, at ordinary refrigerator temperature."

Processing Frozen Foods in Florida

The production of quick-frozen foods in Florida is so recent in development that it is almost impossible to furnish any significant statistics. For instance it is estimated that less than 100,000 gallons of citrus juice was frozen in Florida in 1945 but in 1946 it is predicted that more than 2,000,000 gallons will be frozen. The same condition could well apply to many products.

There are about twelve producers of frozen food in Florida listed for 1945 and the number is increasing rapidly. These producers freeze strawberries, grapefruit juice, cherries, lime juice, orange juice, pineapple, fruit salad, tangerine segments, fish, and several other foods.

Probably the chief reason that the frozen foods industry has not progressed in Florida as it has in other states is that the growers of Florida enjoy such a preferential position in marketing its winter vegetables as fresh produce. However the possibilities offered by the frozen food industry of longer producing season, of two or more crops per year, of mechanical harvesting and of the tremendous volume of the frozen food market will offer an irresistible temptation to Florida growers of fruits and vegetables. Further the possibilities of additional crops such as Florida peaches and sub-tropical fruits and vegetables that cannot readily be shipped in the fresh condition will intensify this temptation to convert a large acreage to the raising of produce that can be frozen.

To the freezing plant operator Florida offers the nearest to an all-year-around operating season of any State in the Union. For instance, Oregon and Washington, the largest producers of quick frozen foods, have a freezing season that lasts from April into December, Utah from May through September, New Jersey and East Tennessee, May through October. The average is about a six months season. In Florida the present "Time Table of Florida Fruit and Vegetable Shipments" prepared by the State Department of Agriculture includes the following products:

Green Beans	9	months
Lima Beans	5	"
Cucumbers	8	"
Mangoes	4	"
Grapefruit	10	"
Oranges	9	"
Limes	9	"
Okra	6	"
Squash	11	"

The fact about the harvest season of these Florida products that is of greatest interest is that they overlap so as to last the whole 12 months of the year. A freezing plant that can operate 12 months of the year has an advantage over those with limited operating season.

The possibilities that quick freezing opens up in the development of new products is rather intriguing. The new developments in frozen fruit purees promise an outlet for fully ripe fruit and vegetables and particularly for certain sub-tropical fruits. New developments in cooked foods are of particular interest to Florida—cooked sea foods, fried chicken, frozen dough for hot rolls, pastry, whole meals—all have possibilities here.

A well organized frozen food industry with centrally located freezer plants and a system of refrigerated transportation to serve such plants would do much to improve Florida's fish and sea food industry, its chicken industry, and all-year-around fruit and vegetable output.

Florida As a Market for Frozen Foods

Florida constitutes a large potential market for frozen foods. First because its year-around warm climate makes it difficult to distribute perishable foods, and second because in the summer season especially there is little native fresh fruit and vegetables on the market.

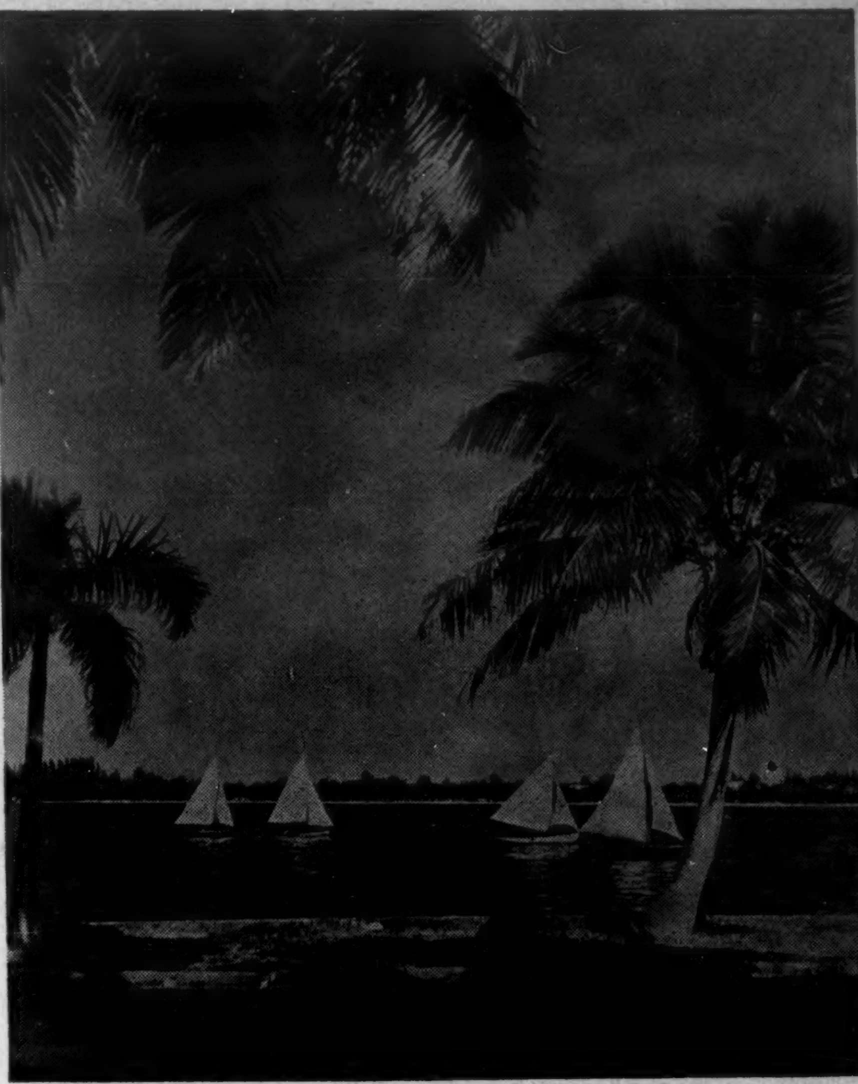
Another contributing factor in making Florida a larger user of frozen foods is the large temporary winter population. In many of the apartments and cottages available to tourists, adequate kitchen space is lacking. This promotes a demand for frozen food which is ready to cook and serve with a minimum of preparation. The same factor brings about a similar demand in the restaurants and roadside stands serving food for a peak season.

Conclusion

To those who have followed the development of the Frozen Food industry it appears that Florida is destined to become one of the great producing States for frozen products.

Florida is primarily a producer of perishable foods, it has a soil and topography adapted to producing fruits and vegetables, it has coastal waters rich in edible seafoods and of a geographical nature to make commercial fishing practical and profitable. Its climate makes possible the harvesting of perishable products every month in the year and for many products the same acreage can grow two crops annually. Quick freezing makes possible a large and stable market for these perishable products independent of seasonal fluctuations.

But not only will Florida benefit by a greater production of produce, it will also benefit by processing this produce within the borders of the State. This cost of processing and freezing will approximately equal the original cost of the product and will be paid out in the State of Florida to carton manufacturers, public utilities, oil distributors, and to skilled and semi-skilled labor. To the investment world this opens a vista of financial requirements in Florida for freezer plants, transportation equipment, additional paper mills, power plants and other concomitant enterprises.



Sailing in Florida Waters—Intra-Coastal Waterway

New Tasks in Securities Law Administration

(Continued from page 397)

ful meeting. It was most fitting and timely that, for the general theme of that convention, the subject "Financing in the Post-war Period and the Protection of War-time Savings" was chosen. The subject was discussed most ably from all angles by men well qualified to speak. There we exchanged views and we all agreed on at least one point: Let's get together and eliminate the possibility of a post-war depression and create prosperity in the American way of free enterprise.

The Association is deeply grateful to our Host Commissioner, Honorable Poyntelle Downing, Commissioner for the State of Illinois, and his excellent staff of assistants who arranged for the care and comfort of ourselves and guests during our stay in Chicago. This convention will long be remembered for its constructive program and for the generous hospitality and good fellowship which prevailed.

I am humbly grateful and deeply appreciative of the honor of being chosen your President for the year 1946. It is with a feeling of deep responsibility that I enter upon my duties. I fully realize that I have been selected to lead an organization of distinguished public officials who can point with justifiable pride to their accomplishments in a fair and firm administration of the securities laws of the various states. Ours is an organization which has accomplished much good for the protection of the investing public. By a united effort we can accomplish more. With your help I shall strive to the full extent of my ability to continue those constructive policies of my predecessors which have made the influence of this Association felt throughout the United States.

Typical Florida Corporations

(Continued from page 403)

Jacksonville Gas Corp.

Incorporated in Florida Feb. 1, 1943, as succesor to Jacksonville Gas Company, incorporated in 1927 and succesor to company incorporated in 1874. Supplies gas to Jacksonville, Florida, with population of approximately 200,000. Daily generating capacity 7,750,000 cubic feet with 263 miles of mains. Franchises operate without limit as to time.

Company prior to 1943 was affiliated with American Gas & Power.

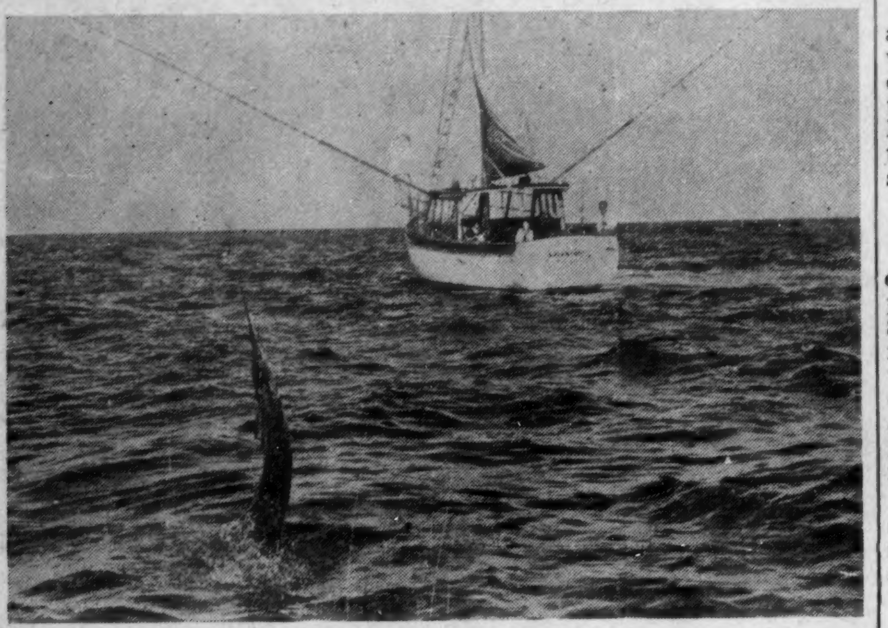
Motor Transit Company

Incorporated in Florida December, 1932 and on Jan. 2, 1933 purchased at foreclosure sale the property and franchise of Jacksonville Traction Company.

Company completed the substitution of buses for street railway service in 1936 and has extended its service to include South Jacksonville and the Beach communities south of the city. Total population in excess of 300,000.

Property at one time was controlled and operated by National City Lines who sold to a newly organized company, Jacksonville Coach Company, in February, 1945.

Company owns their own barns, shops and equipment and operates over 200 buses over 165 route miles.



Sail Fishing

National Airlines, Inc.

Incorporated in Florida on July 8, 1937, as successor to the business formerly conducted by G. T. Baker as an individual. Company operates a schedule of air transportation business carrying airmail, passengers and air express between Miami, St. Petersburg and Jacksonville, Florida and New Orleans, La., and serves the intermediate cities.

In 1944 a route to New York and intermediate coastal points was established. During 1945 the company began an operation between San Juan, Puerto Rico and Miami and has additional operations pending for Carribean air service to Key West and Havana.

Peninsular Telephone Co.

Owns and operates 30 exchanges in Florida including Tampa, St. Petersburg, Clearwater, Sarasota, Bradenton, Bartow and numerous other communities in the Tampa Bay area. Company owns approximately 18,000 miles of toll lines connecting the cities and extending to 11 other cities near by.

Population of territory served is approximately 500,000 and total number of telephones in services as of Dec. 31, 1944 was 81,994.

Southeastern Telephone Co.

Company owns and operates 25 telephone exchanges in northwest Florida and southern Georgia, some of the principal cities served being Tallahassee, Madison, Monticello, Florida and Fitzgerald, Perry and Quitman, Georgia.

Incorporated in Florida in 1896 as the Southern Telephone and Construction Company. Name subsequently changed to Empire Telephone Company and in June, 1939 to Southeastern Telephone Company.

Control of the company rests with the American Utilities Services Corporation now in the process of liquidation under plan filed with the Securities and Exchange Commission.

Tampa Electric Co.

Incorporated in Florida in 1899. Company supplies the entire electric light, power and street railway business in Tampa, Florida, under a franchise to run over 900 years. Also serves Archer, Plant City, Winter Haven, Dade City, Florida with a population of approximately 400,000 people. A large user of the company's power is the Phosphate Mine industry whose products are used in the manufacture of fertilizer.

Main offices are located in Tampa, Florida. The common stock is ideally situated with regard to capital structure inasmuch as there are no bonds or preferred stock ahead of the issue. The company is not affiliated with any holding company.

Tampa Gas Co.

Incorporated in Florida in 1925 as reincorporation of company formed in 1895.

Serves gas to Tampa and West Tampa, Florida, with a population in excess of 120,000. Company's gas plant has daily capacity of 3,000,000 cubic feet and storage capacity of 3,600,000 cubic feet.

Southern Phosphate Corp.

Incorporated in Delaware in 1919, immediately acquired property in Polk County, Florida, now about 12,000 acres and estimated to contain about 40,000,000 gross tons of phosphate rock.

Company is engaged principally in mining and selling of phosphate rock — a substantial amount for export.

United States Sugar Corporation

The company was incorporated in Delaware in 1931 to engage in the production of cane sugar in Florida where it owns approximately 90,000 acres of land and has options on an additional 40,000 acres in the vicinity of Lake Okeechobee.

In 1944 the company acquired the Glades Land Company and all of the Clewiston Land & Development Corporation in exchange for 40,000 shares of its common stock.

The company granted leasehold rights to the Ohio Oil Company for oil, gas and sulphur on a royalty basis and has a joint interest with Newport Industries, Inc., for the productions and marketing of Ramie, a vegetable fiber.

In 1945 the company announced an expansion program estimated at approximately $9,000,000 to more fully utilize by-products and waste and for the production of high grade starches from sweet potatoes.

Florida: Potential Latin-American Trade Center

(Continued fro mpage 398)

$60 million and 600,000 visitors annually.

Most of the visitors—going and coming—will flow through the already established tourist center of Florida.

Within a 1,200-mile radius of Miami are the old and quaint Spanish, Dutch, English and French islands of the Spanish main that are standout attractions for those who like to travel.

It is not out of the realm of possibility that in the next year Americans driving their cars will be able to jump off from Florida, tour Cuba at their leisure, then hop off again and drive through some of the most archeologically-rich parts of Mexico.

And, of course, the route is not a one-way street. Cubans and Mexicans undoubtedly will find it interesting to drive northward to see their Yankee neighbors, too.

Eventually the motoring public is quite likely to be able to turn east in Cuba and spin merrily down through the Caribbean islands and onto the continent of South America.

A New Type Car Ferry

The answer lies in new-type, ocean-going car ferries which the Gulf-Atlantic Transportation Co. proposes to put into service over the relatively short water gaps between the mainland of the United States, Cuba, and in turn the string of Caribbean islands curved semi-circularly southward to the north coast of South America.

Plans for the ferries filed with the U. S. Maritime Commission call for craft capable of transporting some 300 cars and 700 or 800 passengers on each trip.

Florida and the Miami gateway would serve as the funnel for the great population centers of the east.

For instance, if persons from New York or Washington, D. C., wanted to drive to Cuba or Mexico, they could come down the east coast and through Florida. At Key West or another South Florida port, they would drive onto a car ferry and be transported over the 90-mile stretch to the Cuban capital of Havana.

From there they could drive through Cuba and to the western part of the island, where another ferry would transport them to the Yucatan peninsula of Mexico. There, centered about Merida, are some of the richest ruins of the ancient Mayan empire.

The "Caribbean" Spur of the Pan American Highway

Eventually, Mexican officials hope to complete a "Caribbean spur" of the Pan American highway, to connect near the Guatemalan border with the Pan American main route running from the Texas border south through Monterrey, Mexico City, and Central America.

When the Caribbean spur of the Pan American highway is built, it will cut an estimated 1,100 miles from the route to Central and South America for motoring tourists living east of the Mississippi river.

Travel officials and others are confident that later on the ocean-highway system can be extended to connect the easternmost tip of Cuba with the nearby island of Hispaniola, comprised of Haiti and the Dominican republic.

From there it would be possible for ferries to span the narrow Mona passage between the tip of the Dominican republic and Puerto Rico, and on down the chain of the Lesser Antilles—from Puerto Rico to the Virgin Islands, to the French islands of Guadeloupe and Martinique, on down to the British-owned Trinidad, and over to Venezuela on the South American mainland.

The Latin American nations are just as anxious to promote that lucrative flow of tourist travel as is the United States.

And in their efforts, they are turning to Miami.

One Miami advertising and public relations firm currently is setting up tourist programs for the governments of Guatemala and Venezuela, and has been approached by the government of the Dutch island of Curacao with the idea of establishing a similar program for that area.

In the few brief months since the end of the war, Florida already has become a center for the established of new trade alliances between United States and Latin American business houses.

In Miami alone, half a dozen commercial "liaison" firms have been established. Their aim is to represent Latin American firms here, and to put United States firms and manufacturers in touch with Latin American trade outlets.

One of the largest southern automobile dealers, whose main office is in Miami, has jumped the gun on competitors by setting up a branch outlet directly on Havana's famed Malecon drive.

Florida is favored outstandingly in one respect in regard to developing herself as a Latin American trade center. The Latin American market is more than ripe for the type of goods which Florida industries can best produce.

They include, mainly, plastics, processing plants and light manufacturing, such as radio and aircraft parts.

Such industries are a natural for Florida, where plant costs are low, a labor supply is at hand, and an abundance of power is available.

And Florida, closely allied to the Latin American countries in point of climate and geographical features, strikes the average Latin American visitor as being more "simpatico" than most other parts of the United States.

The most frequently voiced complaint by Latin Americans against North American businessmen in their midst is that the Yankees seem to make no effort to learn the habits, customs, psychology, or even language of the Latins.

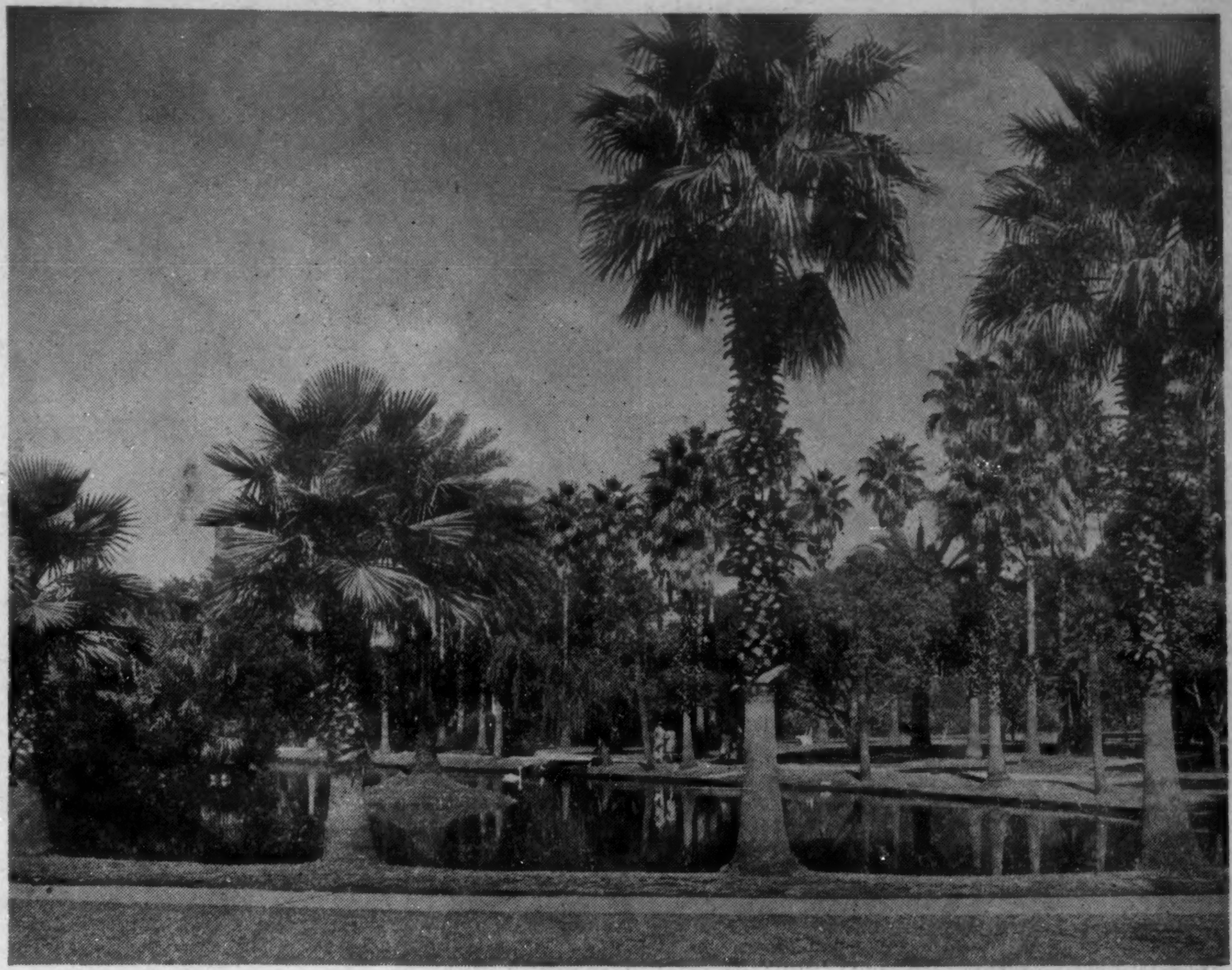
The English, they say, are little better than the Yankees in that respect, but we both might take a profitable lesson from the prewar German traders.

The former mayor of Barranquilla, Colombia, who resigned to take a trip to the United States, phrased it this way:

"Let us suppose," he said, "that the wife of a Barranquilla businessman died.

"The American business representative with whom he had carried on trade there would, as is customary in your country, have his secretary order a wreath of flowers to be sent to the customer's house. That is all very well in your country, but to the bereaved South American it would only appear that the American was being cold and lacking in true feeling of sympathy.

"He would be much more impressed by the German businessman, who would promptly put on a black tie and call at the South American's home to offer sympathy in person, if only no more than to say: 'I'm sorry.'"



View of picturesque Confederate Park, Jacksonville, situated almost in the heart of Florida's largest city. This is one of more than a score of large, sub-tropical parks in Jacksonville.

Dairying in Florida

(Continued from page 400)

from one part of the state to the other.

Regarding the health of Florida dairy herds—it was never better. The herds are practically free from T.B. and Bang's. Dr. J. V. Knapp, State Veterinarian, reported that for the fiscal year ending June 30, 1931, the percentage of tuberculosis in dairy herds in Florida was only .08%. For the United States during the same period, the percentage was .3%.

The percentage of Bang's disease for the same period was .9%, covering 15,665 herds comprising 403,722 animals. For the United States the percentage was 2.4%.

Florida milk producers, as these figures prove, are cooperating wholeheartedly with State and County agricultural and health officials in an effort to give the public the very best milk possible.

I have painted what some will describe as a "rosy" picture of the dairy industry and its future in Florida. I have done so purposely because I sincerely believe that the industry has a wonderful future in this southernmost State. I have not, however, attempted to glamorize the dairy industry.

There is nothing particularly glamorous about a vocation which makes you arise at 4:30 in the morning and keeps you slaving until 6 or 7 in the evening. I have the greatest respect in the world for the hard-working dairy farmer and the sincerest enthusiasm for those dairymen of Florida who have been earnestly striving to improve their cattle and produce more and better dairy products.

Throughout the war, these producers were part of a great farm machine that helped to feed the world. No one can take away the credit from them for doing such a splendid job but it is doubtful if the vast number of consumers appreciate how hard they worked.

The dairymen of America have just completed a vitally important task—that of producing for war consumption. Now they face an equally great and equally vital job.

Statistics show that within the next five years the population of the United States will probably reach 150,000,000. This will mean an increase of 13,000,000 since 1940. Since 1940 to the present time there has been an increase sufficient to absorb more than five billion pounds of milk, even at pre-war consumption rates.

Estimated births in the United States during 1945 totaled 2,800,000—about the same as in 1944. Ten years ago, an average of 2,000,000 babies were being born annually in America.

So it is obvious that for the next ten years, the population of the heaviest consuming age ranges will show the largest percentage of increase of any group. Remember, too, that children today are heavier consumers of milk and other dairy products than were the age groups which preceded them. What is more, adults are consuming larger amounts of most dairy products than ever before in history.

We of Foremost Farms have an intense and fervent faith in the potentialities and opportunities of the Great South. So much so, in fact, that years ago we adopted a Creed for Southerners of which we are proud and which has been publicized throughout the South. Here it is:

We Believe in the South . . .

. . . Because here is America's last great frontier, challenging the minds and hearts of men of action.

. . . Because here are vast and scarcely developed resources demanding only vision, courageous leadership and earnest labor to convert them to use and wealth.

. . . Because here are millions of fertile acres sufficient in their bounty to fill the larders of the nation with rich dairy products and with nourishing foods from the soil.

. . . Because here is a newly-awakened giant beginning at last to feel the power latent in its farms and fields and woodlands, its businesses and industries and the energy of its people.

. . . Because here is a friendly, kindly people who have dreamed new dreams, seen new visions, gained new skills; who are determined that these things shall not again be lost and that their future shall be one of prosperity and economic greatness.

. . . Because it is Our South—our matchless homeland—offering boundless opportunity, security and better living for all men.

WE PLEDGE our devotion to the South and our untiring efforts to further its growth by doing business in and with the South and with Southerners to the end that the South may soon attain its rightful place of economic leadership in our nation.

Pensacola: A New Center of Southern Activity

(Continued from page 399)

Florida Pulp & Paper Company made important war contributions by furnishing paper shell holders for all war fronts. It is so important in fact that the Government's Defense Plant Corporation financed the erection of the building at Cantonment and also the board-making equipment and machinery. The plant was leased to the Santa Rosa Pulp & Paper Company, a subsidiary of Florida Pulp & Paper, but operated by the parent company. J. H. Allen serves as President of both concerns.

Florida Pulp & Paper Company erected the emergency war board plant for the U S. Defense Plant Corporation for a fee of $1 (one dollar). The plant and its erection is a monument to American ingenuity and improvisation, and American flair for finding the unobtainable and doing the impossible. Despite the importance of this plant it was out of the question to obtain new machinery and equipment. There was none. Every piece of machinery in the plant is second hand.

The Allis Chalmers steam turbine, for instance, and the boilers that provide power for a Beloit cylinder machine's battery of 70 dryers capable of rolling 75 tons of critical paper "war supplies" daily, is a quarter of a century old. The cylinder machine itself had been idle 10 years when unearthed by Florida Pulp Company's machinery "scouts."

Turbine, boilers, cylinder-board machine and practically every piece of equipment was "picked up" here and there throughout the United States and rushed to Pensacola by mail, express or freight, from "fragile" parcel post packages of delicate gauges to tarpaulin-topped flat cars loaded with ponderous rusty parts, high balled clear through to Cantonment, expedited with the symbol of extreme "war emergency."

Pensacola mechanics did a magnificent job of cleaning, smoothing and oiling the parts rusted with age and disuse. They assembled hundreds of unrelated parts and rebuilt the equipment with unerring skill. The heterogeneous collection of equipment salvaged from factories and foundries all over the nation functions with the smooth precision of machinery custom-designed for one purpose: to manufacture board from Florida's pine to deliver American munitions to American fighting men on all fronts. Clearly the pioneering spirit is rampant in Pensacola, city of five flags since 1559.

The modern plant built by the Florida Pulp & Paper Company was one of the last new mills completed in the United States, a stream-lined design constituting one of the best fine paper plants of its kind in the world.

Agricultural Florida

Newport Industries, another important and progressive Pensacola institution will step-up chemical production in post-war expansion.

"Watch Newport" is the exclamation usually heard when talk turns to "post-war Pensacola" for everyone concedes that Newport's tremendous growth during the past three decades will be totally eclipsed by the expanded post-war activities of the concern which launched a million-dollar Pensacola industry 30 years ago after a chemist had "found gold" in abandoned pine stumps.

By the time the war came along and shelved Newport's ambitious research plans, the company's 29 chemists already had chalked up a total of more than 80 products credited to the resins, turpentines and pine oils extracted from the once "worthless" stumps at the Newport plants in Pensacola and Alabama.

However, "80 is only the beginning," admits J. H. McCormack, President of Newport Industries, Inc. Scientists, it appears, suspect these stumps of still secreting as many elements essential to industry and manufacturing as are derived from coal and oil.

Consequently Newport's post-war plans call for not only stepped up production of existing products, but also the quest for more. The company has $50,000 to lay on the line for the erection of a modern, new research laboratory on city-owned land on "O" Street, adjacent to the main plant.

The new laboratory will house an increase of 50% in Newport's skilled research staff, all working to find new products derivable from resin, oil and turpentine coaxed from old pine stumps.

Experts hail the post-war period as an "Era of Science and Chemistry" with emphasis on plastics, synthetics and electronics, and it is not astonishing that expanded research should be an important part of Newport's post-war program.

The wizardry of industrial chemistry foreshadows the marvels of Pensacola's industrial future!

Ethyl alcohol for undersea and aerial torpedo. Penicillin and perfume. Detonators for four-ton "block busters." Explosives for incendiary and rifle bullets. Hot water bottles and bomber tires. Antiseptics and scotch tape. Protective coatings for battleships and dive bombers. Pensacola resin for protective coating. Waste molasses in Cuba and waste pine stumps in Escambia.

These are but a random few of hundreds of elements blended in the story of U. S. Industrial Chemicals, Inc., Pensacola, Fla., a neighbor and customer of Newport Industries, and an integral unit in the nation-wide plant chain of one of the foremost industrial chemical concerns in the United States.

USI originated in 1906 at the U. S. Industrial Alcohol company. A problem of utilizing waste Cuban molasses led to its creation, just as years later Escambia's waste pine stumps were responsible for bringing Newport Industries to Pensacola.

Business men view waste in the light of deplorable economic loss. Scientists detest waste because it signifies lost utility. Prior to the inauguration of U. S. Industrial Alcohol company, hundreds of thousands of pounds of blackstrap molasses were being dumped into Cuban streams every year, an apparently valueless waste residue of Cuban sugar cane refining.

USI scientists halted molasses waste when research revealed blackstrap to be a source of invaluable ethyl alcohol through yeast fermentation processes, processes corresponding with the production of penicillin, industrial chemistry's unparalleled curative contribution to World War II.

USI pioneered ethyl alcohol extraction from waste molasses in 1906 and thus laid the foundation for one of the most important industrial chemical businesses of modern times. USI now has thousands of skilled workers and scores of scientists working day and night in ten big plants strung across the continent from Newark, N. J., to Anaheim, Calif. Daily production of more than 100,000 gallons of ethyl alcohol is now only one phase of the company's tremendous chemical output. USI considers research fully as important as production and the company is constantly combining the nation's leading universities and colleges in search of talent to man its experimental laboratories. Operations at the Pensacola plant, incidentally, are the outcome of discoveries of uses of pine resin for protective covering.

"Gone to War," inscribed on a mahogany plaque in the offices of Pensacola's Weis-Fricker Mahogany company served as reminder that 90% of the company's mahogany imported from Central America was earmarked for war. Few in America, or even in Pensacola for that matter, suspected how widely Weis-Fricker mahogany entered the lives of our fighting men here and abroad in training action and often in battle's aftermath

Weis-Fricker with offices and 40-acre yard and mill on Barrancas Avenue at Bayou Chico, is a purely local concern, financed by local capital and operated by local men. The President is C. A. Weis, long an active worker in Pensacola civic and philanthropic affairs. His son, Mahlon, is Secretary and Treasurer. Frank Fricker, a close personal friend of the Weis family, is Vice-President and Sales Manager.

Last year alone it imported 12,000,000 feet to fill its contracts: a consignment of 20 shiploads. Thirty per cent of the logs went virtually "as was" to veneer mills to become plywood for planes, boats, and girders. The remainder was milled to required dimensions before being shipped out on war contracts.

Consider some of the purposes to which 12,000,000 feet of Weis-

Fricker mahogany were put last year:

Naval aviators who receive their "Wings of Gold" at Pensacola, for instance, pilot plywood planes in the course of their training.

Invasion forces stormed ashore from mahogany barges while their air-borne companions descended behind enemy lines in gliders made of mahogany supplied by Weis-Fricker.

Crash survivors were swooped from the sea in American built aircraft rescue boats of mahogany —the mahogany that went into America's Tom Thumb warcraft, the tiny P-T boats with battleship wallop, that sneaked MacArthur and his men from under the nose of the Japs on Bataan. Weis-Fricker, it is estimated, supplied 65% of the mahogany used in rescue boat construction, and substantial proportions of the mahogany required for P-T boat plywood.

Boats, barges, planes and gliders, however, represent but a few of the war uses of Weis-Fricker mahogany. Recent figures compiled for a government agency astonished company officials themselves. They found the Central American mahogany that passed through the Bayou Chico served 521 different war contractors.

The company has been in Pensacola for nearly a quarter of a century, starting in 1920 in cypress operations, with its own 10,000 cypress tract in the swamps 100 miles east of Pensacola, and other tracts in Escambia and Santa Rosa counties. In 1933 when local cypress was beginning to vanish, a million dollar fire wiped out the company's yard and remaining cypress stocks. The following year Weis-Fricker was in the mahogany business exclusively. Mahlon Weis is production boss from the tropics to Pensacola, where Frank Fricker then takes over as mill expert and marketing ace with C. A Weis exercising general supervision of everything.

Because of Newport Industries, Pensacola has two drum manufacturing plants that might not otherwise be numbered among the city's varied industries.

One is the Florida Drum Company on the L & N at East Zarragossa and Tarragona Streets, which manufactures steel drums and is operated by two Richmans, former New Yorkers.

The second drum manufacturing plant which owes its presence in Pensacola to Newport is the Keystone Drum Company, several blocks due north of Florida Drum on East Chase near Tarragona. Keystone is a Continental Can Company subsidiary, managed by W. C. McGinnis, Carnegie Tech man and former Keystone plant superintendent in Pittsburgh. Keystone's specialty is fibre drums.

There's nothing in the appearance of the ramshackle looking structure housing the Florida Drum Company to awe a visiting industrialist, but the little concern's production figures are startling. They command marked respect from any big time manufacturer.

J. H. McCormack President of Newport Industries, lured Fred and Howard Richman to Pensacola with the promise of a 36,000 drums contract in 1940.

In less than four years since the firm started Pensacola operations, with Fred as President and Howard, Vice-President, on the strength of the initial Newport order for 40,000 naval stores steel drums. Improvised conveyors have hurled more than 637,000 steel containers into waiting trucks and box cars for ultimate service in all corners of the world.

The drums, all of 55 gallons capacity, are of six different types in black or galvanized steel, weighing from 55 to 114 pounds. The output to date totals 51,000,000 pounds or more than 25,000 tons. If shipped in a single consignment, 2,100 standard size box cars, each holding 300 drums, would be required to move the shipment out of Pensacola.

But enough of comparative statistics. These figures are cited merely to show why manufacturers everywhere will agree that here is another "little" Pensacola manufacturer doing a major manufacturing job with raw materials "brought in" from beyond Pensacola.

Unquestionably most Pensacolians at some time or another have seen New York City's 102-story Empire State building or, at any rate, know it is the tallest building in the world

How many Pensacolians however, are aware that Pensacola Tool & Supply Corporation, on Barrancas Avenue, just beyond Bayou Chico, helped erect the world's tallest building?

The Pensacola Tool & Supply Corporation figured in the erection of New York's Empire State building? Yes! Also in the construction of New York's Triboro bridge over which Pensacolians, together with millions of visitors from all over the nation, motored to the New York World's Fair in 1939 and 1940.

Empire State . . . Triboro . . . San Francisco's Golden Gate bridge . . . Waldorf-Astoria Hotel . . . these are but a few of the modern construction, "wonders of the world," in which Pensacola Tool & Supply had a hand, as well as aiding in the construction of local structures including Delchamps's, Pensacola Coach Corporation garage and Muldon Motors garage.

Of course Pensacola Tool & Supply Corporation aided the war effort too, through contributing to the construction of landing craft, tanks and other paraphernalia of modern warfare.

The Pensacola Tool & Supply Corporation people declare their role in war and peacetime steel construction is minor, but they admit it is nevertheless important. The company specializes in steel fabrication and in the manufacture of gadgets and tools that are vital to construction work.

Nevertheless an inspection of bills of lading in the company office the other day disclosed recent shipments consigned from Barrancas Avenue to 19 different States and Canada, including supplies for jobs in Oregon, Maine and Texas points thousands of miles from Pensacola.

Two outstanding names in America's commercial fishing industry are E. E. Saunders & Company and the Warren Fish Company of Pensacola. More than 187 million pounds of Pensacola's famous red snapper from the Gulf of Mexico have been marketed in Chicago, Cincinnati, Denver and St. Louis, Texas and the South by these companies, since they were established in 1880.

E. E. Saunders & Company and Warren Fish Company stemmed from Sewall C. Cobb's Pensacola Fish Company which the U. S. Bureau of Fisheries credit with having originated the nation's red snapper fisheries on a commercial scale a few years earlier.

Probably few Pensacola bystanders watching Pensacola's first commercial catch of red snapper come over the side of a Cobb "live well" schooner in the early 1870's were aware of witnessing the birth of a Pensacola industry, or realized that the event was destined to make Pensacola the Gulf of Mexico's red snapper capital.

Pensacola's "fish profits" are a unique source of wealth to the city, for they are "virtually a gift" of the sea! They take nothing from Pensacola's natural resources, for they are "harvested" by Pensacola fishermen from the Gulf of Mexico's Campeche banks off the coast of Yucatan, several hundred miles from home.

The vessels return to Pensacola laden with snapper which men in the Pensacola fish houses inspect, clean, sort and ice for shipment to markets from which flow back to the city thousands of dollars in

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All pulp logs are debarked in this huge machine before being ground up into chips at the large Pensacola mill. In the background can be seen thousands of cords of pulp wood logs ready for the debarking machine. Even the bark is used after it has been removed from the tree. The bark is used as cheap fuel and is being hauled off by a truck.

Pensacola: A New Center of Southern Activity

(Continued from page 411)

"new money" year after year; substantial profits and prestige brought Pensacola through the enterprise of Pensacola business men and the industry of the Pensacolians who man their fishing fleets

They have been taking the pulse of the seafood business for years, charting the ebb and flow of the catch from year to year, and plotting the change in market conditions. These men are fully aware of the many factors that have bearings on their business, particularly the rising popularity of canned, processed and packaged fish.

Neither one, of course, will reveal his company's jealously guarded post-war intentions, but both admit freely that there are plans designed to stimulate business and increase employment, thus protecting the red snapper bonanza that Pensacola has been tapping profitably for more than [illegible] years.

Misgivings that pessimists may cherish as to Pensacola's post-war future, or as to the after-the-war prospects of Northwest Florida's 5,000 square miles, must vanish in the face of Gulf Power Company's optimism — practical optimism backed by the company's cash for a new 25,000 k.v.a. steam plant.

The new plant, located on Governor's bayou, 12 miles north of Pensacola, is only a partial indication of Gulf Power's faith in the future of Northwest Florida.

Even before engineers threw the switch to cut the new 25,000 k.v.a. generator into existing transmission lines, the unit is considered inadequate for eventual post-war demand in Gulf Power's 5,000 square miles of territory. The company serves 59 communities in nine counties from Escambia to Jackson; from Innerarity Point and Pensacola to Panama City on the Gulf Coast, and from Century north to Campbelltown.

Consequently Gulf Power's future plans call for not one but four of these 25,000 k.v.a. generators to be located at the Governor's bayou plant—to provide a hundred thousand kilowatts of power and light for Northwest Florida in the years to come. Installation of the second 25,000 unit is now under construction.

This consideration of future requirements, of course, is characteristic of Gulf Power Company which already has constructed a costly network of high voltage transmission lines and substations throughout Northwest Florida's 5,000 square miles. Gulf Power projects its service and plants years ahead of population growth and industrial power demand; not by guesswork but through exhaustive study and scientific research .

Gulf Power Company dates from 1925 when it was incorporated in Augusta, Me. The following year it acquired utility properties in Chipley, Bonifay, Graceville, Millville, Panama City, St. Andrews and Lynn Haven.

Pensacola Electric Company was merged into Gulf Power in 1927, along with the acquisition of De-Funiak Springs, Valpariso, Fort Walton, and Niceville. Milton and Crestview were added in 1928; Caryville in 1936; Warrington, 1937; Bagdad, 1939; and Vernon in 1940.

The effects of the company's efficient, centralized operations were immediately noticeable: rates began to drop. Customers had been paying as high as 20 cents per kilowatt hour. The next year the average declined below 2½ cents per kilowatt hour. Rates have been steadily dropping and today they average barely more than 3 cents per kilowatt hour.

The importance of Gulf Power's contribution to Northwest Florida home life, agriculture and industry, in pioneering the spread of electricity through the 5,000 square mile territory is recognized by everyone. Less apparent, however, is the significance of the company's action in pioneering natural gas service for domestic and industrial use.

Nevertheless students of economics development consider the introduction of natural gas into this area less than 15 years ago as an event of great importance to Pensacola.

The advent of natural gas primarily was an initial step in modernizing home heating, but it also was a tremendous step forward in industrial plant operations. Newport Industries, for instance, was one of the first beneficiaries of Pensacola's new natural gas supply. The service was inaugurated just at the time. Newport was seeking a new fuel when Armstrong Cork Company began using the company's spentwood chips, formerly used to fire Newport boilers, to manufacture insulation board. Armstrong itself became an early gas customer, using the gas in great quantities in its insulation board manufacture.

The company's plans to step up electrical current output is paralleled by United Gas Line Company provisions for increasing natural gas supply in the area, via Gulf Power Company handling. Gas now comes through 12-inch pipe lines from Mobile under 200 pounds pressure per square inch, after tapping two higher pressure lines from Louisiana gas fields to Mobile. A duplicate pipe line has been constructed through the Mobile swamps for emergency service and protection. When the duplicate line is in operation, pressure on the original line, it is understood, will be stepped up from the present 200 to 300 pounds per square inch, greatly increasing Pensacola's gas input.

All in all, a city with more than 70,000 population, 349 retail stores, 28 public schools and 63 churches, modern city manager-council form of government, and an annual payroll that topped $20,000,000 in 1944, with still more predicted for last year when final 1945 figures have been totaled, there are logical reasons why the experts point to Pensacola as a new center of Southern industry. It is a city that bears investigation by far-seeing manufacturers.

Product of Nature

Miami Tax Collections at All-Time High

Among the indices of the excellent financial condition of the City of Miami, Fla., is the fact that tax collections through Dec. 6, 1945, amounted to $4,356,148.42, an all-time high. Corresponding figures for the 1944 period disclosed receipts of only $3,393,214. Miami bonds currently are commanding prices reflecting confidence of dealers and investors in the continuing soundness of the city's finances.

According to the 1945 State census, the permanent population of the city alone is 197,326, the rate of increase since its incorporation as a city in 1896 having been phenomenal.

FLORIDA

If you want a sunny place;
With lots of tan upon your face;
A beach where you can walk for miles;
And bathing beauties who pose with smiles

If you like your ocean blue;
And flowers riotous in hue;
With orange-blossoms' perfume sweet;
Then here's the spot that can't be beat!

If you think that fishing's fun;
And that your tuna weighs a ton!
That racing is the sport of kings;
Then here's the place where all life sings!

If you'd like to see this state,
Why there's no point to sit and wait.
Plan your visit now, today;
Its guaranteed you'll want to stay!

E. Roberts Langenau.

The Importance of Importing

(Continued from page 374)

cannot now tell which is cause and which effect. Probably they are interrelated—now one acting as the initiating force, now the other. Yet enough evidence has accumulated to show that a sustained high level of employment and business activity requires a high level of foreign trade.

Effects of Exports

It is easy to see how a large volume of exports helps to maintain a high level of employment. The line of action is direct—it takes work to make the goods sent abroad. Many important industries relied heavily on export markets even before the war. Exports of typewriters, for example, averaged about 37% of the total value of typewriters manufactured during 1935-38. The sewing-machine industry was also high, with 35%. Other industries in the "above 20%" class were tractors, aircraft, office appliances, mining and pumping equipment, and power-driven metal-working machinery. In the agricultural field, exports of cotton, tobacco, linseed-oil cake, and dried fruits exceeded one-fifth of total production.

However, even housewives have recently had a lesson on the immediate effects of exports on the standard of living. The Sunday roast or steak was almost impossible to obtain, partly because meat was needed for shipment abroad. With cold and starvation rampant in Europe today, this is justified. But in normal times, fostering exports without increased imports is simply a refined make-work policy.

Imports and Living Standards

Even before the war, imports contributed materially to our standard of living. The all-American breakfast is founded on Latin American coffee, with cocoa from Africa or South America for the children. Tea, pepper and other spices, bananas, and such medicines as opium and strychnine are also strictly foreign products. Large amounts of sugar are obtained from Cuba and the Philippines, olive oil from the Mediterranean, and medicines such as camphor from Formosa, menthol from Japan, and quinine from the Netherlands Indies.

In the raw-material sphere, we are totally dependent on foreign sources for such products as tin, cork, manila and sisal fibers, kapok, natural rubber, copra and coconut oils (for soap), shellac and raw silk. Other items for which imports loom large in the supply picture are asbestos, bauxite, manganese, chrome and cobalt ores, nickel, tungsten, antimony, radium salts, and newsprint paper. Since the war we have also become conscious of the danger of exhausting our existing commercial reserves of copper, lead, zinc, manganese, mercury, nickel, and bauxite.

Exports Depend on Imports

For the present, the desire for our goods abroad is great, limited only by the ability of the various countries to pay for them. With the termination of lend-lease, this problem has become acute. UNRRA, the World Bank, Export-Import Bank loans, direct intergovernmental loans such as the one just proposed with the British, and private investments will help to provide the dollars. All told, exports amounting to $3,000,000,000 or $4,000,000,000 per year may be financed in this way. Perhaps another $500,000,000 to $1,000,000,000 may be financed by dollar exchange made available through net tourist expenditures, shipping and insurance service charges, and immigrant remittances. But even in the years immediately ahead, an important trade of from $5,000,000,000 to $7,000,000,000 a year will be necessary if foreign countries are to have the dollar balances to service past loans and to buy our exports in a volume commensurate with our present productive capacity.

Later, when countries abroad have satisfied their more urgent needs for relief and rehabilitation, and when loans are decreasing, exports will depend even more on the volume of imports. Interest payments and eventual repayment of the loans will add to requirements for dollar exchange.

The conclusion is inescapable that now and in the foreseeable future, a large export trade will require a large import trade, not merely because we need raw materials, but because this is the only way in which countries abroad can buy our exports. Only in this way can the United States contribute to a revival of world trade with its opportunities for world-wide specialization, high living standards, and perhaps even peace.

How Increase Imports?

In the economic warfare of the 1930's, many ingenious devices were developed to decrease imports or increase exports. But the literature on the art and techniques of increasing *imports* is very limited. Perhaps this is because the answer seems so obvious at first glance—just reduce all tariffs. In a complex economy such as ours, however, the problem is not so simple. Difficult shifts and readjustments of production will be required in some instances. These can be accomplished only with time, foresight, and a general expansion of business activity and employment in the United States and throughout the world.

This is a strategic time in our history. Obviously, the United States is currently the chief source of supply to foreign countries; equally important, it is a leading market. With these two levers, the United States should be a powerful influence in the reconstruction of world trade.

Exchange-Rate Parities

Before such trade can be developed, there must be some revisions of official exchange-rate parities. At present, price levels in some countries have risen to levels which make importation from them to the United States impossible under current official exchange rates. War-torn France is an example. Even if products were imported, they could not be sold under existing price ceilings. Once exchange rates have been adjusted and the Bretton Woods agreements for international monetary stabilization adopted, the stage will be set for a mutually beneficial growth of world trade.

Trade Agreements

Unquestionably, a program for the expansion of our own foreign trade—imports as well as exports—must begin with a consideration of our trade agreements. The extension of the Reciprocal Trade Agreements Act (June, 1945) authorizes the President to reduce tariffs as much as 50% from the levels as of Jan. 1, 1945. Steps have already been taken to initiate discussions of trade barriers with Australia, Belgium-Luxemburg, Brazil, Canada, China, Cuba, Czechoslovakia, France, India, the Netherlands, New Zealand, the Soviet Union, the Union of South Africa, and the United Kingdom. These talks may ultimately be extended to include other countries. In the same direction, the agreements with the British for a proposed credit have provided for a relaxation of exchange controls and barriers to trade between the United States and the British Empire.

Other Possibilities

Meanwhile there are several other developments which may be suggested to round out our techniques in the field of foreign trade. One of these is to provide information and market studies to importers as well as exporters. For obvious reasons, information about foreign production and supplies is always more difficult to obtain than data on domestic markets. This is particularly true for the newly established importer who has not yet developed many contacts abroad. Yet if imports are to expand sufficiently to allow for the desired exports, we must have a considerable number of such firms.

The Department of Commerce maintains a vast amount of current information on marketing opportunities in the United States. This information is available to United States importers and to exporting firms abroad as well as to domestic producers. We cannot expect the individual consumer, or even most retailers, to **take the initiative in seeking foreign** products. More aggressive sales policies based upon this research by those who are engaged in importing into the United States would make an important contribution to the expansion of our imports.

Some progress has been made in reconversion and reconstruction abroad. The United Kingdom, Canada, many Latin American countries, Australia and New Zealand are among those ready to enter world markets as suppliers as well as buyers. On the European Continent improvement has come more slowly, although Belgium is about ready to make exports and even France has small stocks of luxury items, such as perfumes and wines preserved from the Germans, which it could export.

However, this progress has not yet been reflected in a growth of United States imports. Imports in October, 1945, totaled $344,000,000—less than the average for the first nine months of the year and from one-fifth to two-fifths below the monthly average required to achieve an anual total of from $5,000,000,000 to $7,000,000,000.

Import Market Studies

Communication and travel difficulties continue to hamper operations of importers, particularly on the European Continent. A series of studies indicating what commodities or products are available for importation, country by country, would give newcomers to the import field and established firms alike a clue as to where to begin. Of similar assistance are the names of firms abroad who are now in a position to make shipments of various products—listed under "Import Opportunities" in "New World Trade Leads," a regular feature of this magazine initiated in August.

Sample Fairs

International expositions and fairs, such as those held regularly at Leipzig and Lyon before the war, would also contribute to the growth of foreign trade ("Foreign Commerce Weekly," July 7, 1945). At such fairs, manufacturers all over the world display their products. At regular intervals buyers from all countries attend the expositions and place orders. These fairs contribute to the growth of both exports and imports. Several projects for the development of expositions and fairs of this type in the United States are already under way.

Export-Import Combinations

Another novel development in the import field has recently been announced by Westinghouse Electric. This is the establishment of an "Import Division." The division will investigate problems of obtaining raw materials abroad and the possibilities of importing various finished manufactures in the consumer-goods field. It is founded upon recognition of the principle that export sales will depend largely on the dollar exchange made available by our imports.

This principle appears capable of wide adoption by merchandising firms as well as manufacturers. Knowledge of the language, customs, and business methods of a foreign country obtained in the process of exporting can be put to use in the import field.

The idea is not entirely new, of course. We have had export-import houses before. But the realization that export sales will become increasingly dependent upon our purchases abroad has led to the adoption of the principle by a number of firms that were formerly interested only in exports.

Dual Role of Imports

The general public, too, is coming to recognize the importance of importing. The war has given the man in the street a double lesson on the subject. For one thing, he has missed such things as sugar, coffee, bananas, natural rubber and silk, which come from abroad. He has seen that, initially, imports increase home supplies, whereas exports decrease them. Besides, he has begun to see the impossibility of foreign countries ever paying for loans and continuously large shipments from us, unless we do import.

This enlightened understanding of the role of imports provides a sound basis for the growth of our foreign trade. The United States is on the threshold of a great opportunity. It has tried the principles of geographic and labor specialization within the country and knows that they work. It knows that their use will give people a wider variety of products, and more of them, at lower costs. With this new understanding of the function of imports, the United States may now become a leader in the application of these principles on a world-wide scale.

Fiscal Policy Must Spur Output

(Continued from first page)

victory that the old year brought is uppermost in the minds of all of us throughout the nation. Our thoughts and sympathies go to all who suffered personal loss or injury. We are grateful to all who served in our armed forces.

"The nation can well be proud of its achievements, of its military triumphs, of its unity of purpose throughout the war, of the mobilization of its skills and resources, of the products of its industries, its labor and its farms, and of the efforts of its people toward providing so much of the tremendous monetary cost of so dreadful a conflict.

"As the nation turns to face the aftermath of war, both at home and throughout the world, the future appears grim. Everywhere one hears of strife and misunderstanding among nations and between groups within nations. The task of bringing this country back to prosperity in a peaceful world is enormous, but with clear purpose, understanding and skill, it can be done. We should not, after the most devastating war of all times, expect too much too fast, even in this country with its great material resources and relative prosperity. We should not expect that there can spring forth an economy so perfectly functioning that all ills are forever banished. We should be able to expect, however, an orderly America, opportunity for work, and a resumption of our economic and social progress. Above all, we should expect that America will be kept the land of freedom and opportunity.

"Full production and wide distribution of peacetime goods will bring most of the results that are sought—whether it is control of inflation and avoidance of deflation, good wages and good profits, greater security and better living, or sounder budgets and less debts.

"But the desired objectives can be reached only if our Government, with the great powers that the people have temporarily granted to it, guides the economic and fiscal policies of the nation in the direction of growth and development and not of repression. They cannot be reached if we are led to expect more and more for less and less effort; if labor organizations or industrial organizations are to take purely selfish positions that block the road to production and distribution; or if political leaders are unwilling to face a reduction in Government expenditures and are to assume that a policy of deficit financing can succeed any better in the future than it did in the decade 1930-40. The result of these can be nothing but the debasement of our currency and a lowering of the standard of living in the United States.

"Nor can the objectives that the nation seeks be attained in isolation. If this country is to prosper, we must try to help raise in some measure the standard of living in other countries and thereby bring about a wider market for our goods as well as those of friendly nations. We must find outlets abroad, foreign markets for excess production in many of our products; we must buy, as well as sell, goods and services abroad; we must be ready to make foreign loans and investments; we must aid in maintaining peace and world order and in the reconstruction of foreign nations, foreign exchanges, and foreign trade. Only in this way can we insure a maintenance of the standard of living in this country on a level comparable with what we have enjoyed in the past. It is certain, however, that it will not be possible for us to have everything at once, or to escape our fair share of the burdens, the disruptions, or the costs of the war."

Mr. Whitney, in referring to the operations of J. P. Morgan & Co. during 1945, called attention to conditions still existing relating to the war and war adjustments. The net earnings after all charges for the year were $5,085,293, compared with $5,314,804 for the previous year, but the decline was due entirely to a special payment of $371,000 toward past service pension cost. After payment of $1,600,000 as dividends to shareholders, the company transferred $1,949,265 to undivided profits and $1,536,028 to general reserve. At the end of the year, U. S. Government securities constituted 59% of the total assets of the company as compared with about 66% at the end of 1944.

Quail President of Washington Exch.

WASHINGTON, D. C.—Myles H. Quail of Alex. Brown & Sons, was elected president of the Washington Stock Exchange. Other officers are: Thomas C. Robinson, Ferris & Co., vice-president; Bernard J. Nees, Johnston, Lemon & Co., secretary, and Thomas L. Anglin of Mackall & Coe, treasurer.

T. Baker Robinson, retiring president of the Exchange, was elected chairman of the governing committee of which Mr. Quail was made an ex-officio member. Thomas C. Montgomery, whose term will expire in January 1947, is the third member. Bernard J. Nees was elected for a term ending in 1948; Mr. Anglin and Joseph P. Kreeger were elected governors for the term ending in January 1949. James P. Nolan, Folger, Nolan & Co., is already a member of the committee.

Post-War Money Supply and Its Significance

(Continued from page 371)

sues are predominant. Changes among these three do not affect the total of liquid assets but would affect the total of money insofar as the latter is measured in terms of currency and bank deposits. My discussion of interest rates deals largely with money totals rather than liquid asset totals.

I shall not use many figures. I am beginning to be a little bit skeptical about them. The world is moving a bit too fast for me. The Secretary of the Treasury talked of a 30 billion dollar deficit in tax hearings and eight weeks later we find in Washington a very much more optimistic spirit prevailing in advance of the budget message which is to be delivered next Monday. Perhaps by the time the next tax bill comes up the picture may have changed again. This, however, is not so likely in view of the prospective increase in national income and Treasury receipts that may follow an upward revision in the price levels as a consequence of wage demands.

An interesting commentary along similar lines is that last week an economist in one of the Washington departments was telling an economist in another section of the Government that he was convinced that the November income payments to individuals would be much lower than those which prevailed in October. Apparently this economist was not aware of the fact that that very morning the November figures had been released. They showed that income payments in November were actually *higher* than October, and were only 4% below those which had prevailed in July when war spending was going full force.

Similarly in the Treasury security markets. After some new high total of 14 or 15 billions of 2¼s and 2½s had been sold in the drive, we witness a market advance in the 2½% bonds of over 3¼ points in approximately 30 days. It seems that one can hardly get figures compiled and released without running a substantial risk that they will be meaningless or wrong by the time they are disseminated.

The Interest Rate Situation

We are facing a somewhat new situation with respect to interest rates and money supply compared with anything that has been previous peacetime experience. Interest rate controls seem likely to be with us for an indefinite period. The methods which are used in exercising these controls are of considerable importance. Unfortunately, if the controls are used in an attempt to obstruct the natural forces in the market, then extreme pressures are brought against the controls requiring that the latter become more encompassing and harsh.

In the establishment of the wartime pattern of financing rates the Treasury was reasonably generous in the rate which it set for Treasury Bills as compared with the rates which had prevailed a little earlier. In setting the rate for Certificates it likewise was generous. It felt, and this was true at the time, that the unusually high and sure liquidity of Treasury Bills would justify the difference between the ⅜% coupon on these and the ⅞% coupon on Certificates. In setting a maximum rate of 2% on bank-eligible Treasury Bonds it unquestionably pushed a little harder toward a lower rate than the market expected at the time. The rate of 2½% which was set for longer-term bank eligibles seemed more in line with the market's expectations. The principal point, however, is that in setting these rates the Treasury followed a yield pattern which had existed in the market for some years and which was based, insofar as buyers' preferences were concerned, primarily on the theory that the prevailing low rates of the prewar days and those set for wartime would not exist indefinitely, and shortest term securities were the ones preferred by the largest buying group—the commercial banks.

Commercial Banks Desire Long Term Bonds

Income considerations, however, combined eventually with a lesser degree of fear of future upward changes in rates, to cause a marked preference to be shown first for Certificates over Bills, and finally for 2% bonds over Certificates. At a relatively early stage the Treasury decided to eliminate direct offerings to banks. Thus the banks were forced to render indirect support to the War Loan Drives via open market purchases. Finally the Treasury eliminated 2% bank-eligible bonds. All of this was in consonance with an increasing preference on the part of commercial banks for issues longer than Certificates and offering a higher return.

Coinciding with this we had a control operation whereby the Federal Reserve Banks were obligated to do two things:

(1) to provide the banks with ample reserves for purposes of wartime financing, and

(2) to aid the Treasury in protecting the pattern of rates which it had set up for war purposes.

In a free market it is difficult for the Federal Reserve to differentiate between offerings which come into the market for purposes of money adjustment and those which come into the market directly or indirectly for purposes of portfolio adjustment, such as the sale of Certificates and the purchase of longer issues. During War Drives it is even more difficult for the Federal to make this differentiation and it is in this period that the largest offerings of outstanding issues come into the market. Consequently an indirect result of the over-all methods employed was that Federal Reserve credit became the base from which large-scale market purchases of Treasury issues could be made, and the buying of Certificates by the Federal was greater than the normal reserve requirement needs of the commercial banks. It was only, however, by absorbing Certificates in conjunction with the investment preference of the commercial banks for other issues that the pressure of sales for Drive subscription purchases was limited in its effect on Treasury interest rates. And, of course, it was the ability on the part of non-bank holders of these eligible securities to sell them in the market to the commercial banks that permitted the stupendous Drive totals to be attained.

As these operations become very clear to the authorities they endeavored to impose various types of restrictions, etc. on selling for purposes of entering Drive subscriptions. Consequently, the preference on the part of the banks for the higher coupon issues had a more pronounced effect, i.e. *prices* went higher and *yields* went lower. Then because of increasing bank earnings the Treasury finally eliminated the 2% bonds and that was a signal to the market that the Treasury was willing to see its war financing pattern broken as long as the break was toward lower interest rates.

Banks Desire to Protect Future Earnings

At the same time that the banks and the market became more confident that the war-imposed interest rates would not move higher, the impact of the lower rates on *fututre bank earnings* also became more discernible to individual banks. In an endeavor to protect their future earnings, their appetite for issues offering a higher yield than Certificates seemed to be increased until today it has brought about an unprecedented low level of yields on bank securities and, in combination with the restrictions placed on Drive subscriptions, we seem to be close to having also broken the long-term 2½% rate.

Where does this stop? We might expect that it would stop at some point where the appetite of the banks for earnings had been satisfied. Unfortunately the level of rates was set so low in the short-term market that if banks continued to invest only in those securities, then their future earnings would also obviously be quite low. Inasmuch, however, as their buying of longer maturities has produced a substantially lower yield level, an event which seems wholly satisfactory to the Treasury, we have been in the process of adding fuel to the fire. In other words, the short-term rates originally set by the Treasury and the lower rates acquisced to by the Treasury are so low that the future earnings prospects of the banks are sufficiently unfavorable as to scare them into operations which collectively cause the rates to go even lower. There seems to be no real end to this until the yield of the short-term and the longer-term bank-eligible issues becomes approximately equal.

Of course the substantial price appreciation (and decreasing yields) which have characterized the markets of the last year have also encouraged non-bank holders to sell bank-eligible issues and to reinvest in the ineligible ones. To the extent that the supply of the latter was held down by Drive subscription restrictions, the proceeds from the sale of the bank-eligible issues have gone into the bank-ineligibles via the market. That is what really is causing, or has caused, the tendency of the 2½% issues to break out of their pattern. As a consequence of this combination of circumstances, the commercial banks naturally increased their purchases of corporate issues and revised their ideas on loans, both as to term and rate. This increased competition for all such investments creates difficulties for insurance companies and other similar types of non-bank investors. Corporate yields have moved downward—loaning rates have moved downward. It is all a part of the same picture and the whole situation rests on the necessity (under the existing rate structure and controls) for the Federal Reserve Banks to keep adequate reserves available to the commercial banking system.

Effect of Industrial Financing

If the general opinion was that large amounts of new credits would be required over the next year or so, in conjunction with peacetime production, then perhaps the effect of all of these circumstances on outstanding rates would not have been so sharp. At the mintue, however, it is still the prevailing view that the supply of new securities and investments, including loans, will not be large and we are still in the middle of this trend toward lower interest rates.

The decision as to the ultimate level is up to the Treasury. Meetings on this subject, partially in consulation with the Federal Reserve Board, are expected to start in Washington next week.

There is a definite fear that the Treasury may again take advantage of market conditions to impose a lower financing rate for the short-term section of the market. This is in contrast to the known views of the Federal Reserve Banks. If a lower rate were to be established in this primary support section, i.e. Certificates, then the yield differential between the short-term and somewhat longer sections of the market will automatically have been increased. Consequently, we will start the market mechanics all over again and, in my opinion, the necessity on the part of the Federal Reserve System to provide adequate reserves in order to enable the Treasury to enforce its interest rate desires would require that the Federal Reserve Banks buy a *very substantial* amount of Certificates.

Effect on Money Supply

Obviously the continuing purchase by the Federal of large blocks of Treasury securities purely in support of Treasury interest rate policy is a most effective cause of increase in the money supply (via bank deposits). Yet, if the Federal Reserve Bank refused to purchase these securities we would be faced with one or two alternatives—the liquidity of the market would be destroyed or the rates would rise. The latter, under the circumstances, would be against the desires of the Treasury and would constitute a "breakdown" of the controls. Things could really happen in that event. But the controls won't "break". The best remedy that can be devised at this moment—and time is very short—is to bring more natural forces to play in conjunction with the control mechanisms and a sensible low-rate policy. Natural forces would come into play if a slight increase in the Certificates rate were permitted. Inasmuch as the yields on intermediate Treasury obligations now average about 1¼%, an increase in the Certificate rate to 1% might be sufficient to cause some large banks to confine future purchases to the Certificate area instead of selling Certificates and purchasing slightly longer securities. Thus some new buyers would come into the Certificate market and some portion of the Federal Reserve price support open market purchases would be avoided. We would have substituted some commercial bank buying for Federal Reserve buying and thereby have reduced the increase in the money supply.

It should be easy to see that the danger is not confined, however, to the expansion which takes place in bank deposits purely as a result of Treasury security purchases. We already have the banks stepping aggressively into other investment fields. There have been many public statements made to the effect that it is up to the banking system to provide the necessary credit to reconversion, etc., but at the bottom of the whole thing lies the necessity of the Federal to buy securities in support of the Treasury interest pattern. The Treasury' decision, i.e. whether it tries to enforce lower rates or whether the Treasury seeks the cooperation of natural forces by permitting a slight increase in the short-term rate is of the utmost importance.

I do not wish to be misunderstood. I believe that the supply of investment securities available for long-term investors will be inadequate to their needs regardless of the decision on short-term rates unless the Treasury is willing to refund an adequate portion of its short-term securities into longer term bonds. In other words, unless the Treasury adopts such a policy (and at the moment it seems quite unlikely), then an increase in the short-term rate would not necessarily offer hope that the Treasury long-term rate will remain on a 2½% basis.

Probable Increase in Bank Bond Holdings

We have one other side of the picture. This concerns the Government security holdings of other than the commercial banks and non-bank financial institutions. In other words, the holdings of business corporations, partnerships, individuals, etc. These holdings represent the anti-inflation achievement of the war financings. It is hoped that the bulk of these will continue to be held by these investors. It is recognized, however, that some substantial portion of them will come into the market as consumer goods become available and as business has better use for its funds. The exchange of these securities for cash or bank deposits will not change the total liquid assets of the country, but it will change the money supply, insofar as the latter is measured in terms of bank deposits and currency because if these securities are redeemed in any substantial sum the only available buyers are the commercial banks.

The following few figures may be of interest in connection with the future transfer of this debt. For the first six months of the 1946 fiscal year the Treasury daily statement shows that there was a *net redemption* of Savings Notes of 1.8 billions. This compares with *net sales* during the first six months of the fiscal year 1945 of 280 millions. In Savings Bonds the net sales for the 1946 period were 2.4 billions compared with 5.6 billions. The combined result was that in the first six months of the 1946 fiscal year the Treasury received *net from sales* of Savings Notes, Bonds and Stamps about 500 *million* dollars whereas in the previous comparable period it had received 5.9 *billions.* Perhaps that gives some idea of the changing attitude of these non-bank buyers even though consumer goods, etc. have not yet come out in any volume.

It should be obvious, however, that as long as the Federal Reserve System has to maintain adequate reserves for Member Banks is support of a Treasury interest rate policy, then these open market operations open up the prospects for a substantial increase in the money supply. Further, that these reserves, by virtue of the mechanics of the controls, are available not only for purchases of Government securities but are there for an expansion of loans and other investments as well. The decisions which will shortly be made with respect to the peacetime policies of the Government for debt management, will have, therefore, a material effect on the future supply of money.

During the war period then Secretary Morgenthau stated that the Treasury was on a 24-hour basis. Let us hope, as the Treasury plans for the next 24 years or longer that it adopts policies which will not serve to substantially increase our money supply because the operations feed upon themselves. One control requires modification, then supplementation, then further strengthening until finally we may find we are the ones who have fulfilled the announced goal of the British Labor Party, i.e. that 'finance" should be "the servant of the community" guided and bossed, of course, by the politicians in office. If the Federal Government is forced to expand its control operations in any such unlimited fashion then we will have transferred our economic and social system from that of free enterprise to that of State Socialism.

Equitable Securities Promotes Peterson And Sullivan

E. Norman Peterson has been elected first vice-president in New York of the Equitable Securities Corporation, Nashville. A. A. Sullivan has been elected assistant vice-president. Both have been with the New York office at 2 Wall Street for many years.

"Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

A substantial demand continues to exist for the long-term 2½s and despite minor interruptions, the market has a good tone and still seems to be appreciation-minded. . . . With cash balances almost $25,000,000,000, and Federal expenditures decreasing rapidly, it may be that the Treasury will not have to raise new money for well over a year. . . . This, along with the feeling that the Government will refund maturing obligations almost entirely with certificates and bills, has created a great demand for the longer-term obligations. . . . This demand has resulted in a scarcity of offerings of the restricted 2½s which have been moving ahead at a very rapid pace. . . . Unless something is done by the Treasury to clarify prevailing opinions in the market, speculative positions in these obligations will continue to expand. . . .

The holders of the restricted bonds believe that the Government will continue to refinance maturing issues with low-coupon obligations which will mean a greater demand for outstanding securities from savings banks and insurance companies, and as a result they will get higher prices for their current holdings. . . . Purchases have been made recently in the last two maturities of the restricted bonds, with the prediction that they will be sold above 105 in the not too distant future. . . .

SUPPLY ASSURANCE NEEDED

What is needed in the market is assurance that there will be an adequate supply of long-term obligations. . . . Although there is a large demand for the long 2½s, part of the recent purchases of these bonds has been for speculative purposes, with bank credit, which would disappear rather rapidly with the knowledge that an increasing amount of these securities would be available. . . .

It seems as though it would be much more desirable to liquidate speculative positions at these prices rather than at higher levels, when the market would be more vulnerable and stabilization much more of a problem. . . . Also to the extent that bank holdings of certificates are replaced by sales of long-term issues to non-bank investors, the Treasury would be making a start toward contracting inflated bank deposits. . . .

CONFERENCES IN PROGRESS

Undoubtedly there will be important announcements out of Washington in the very near future, since conferences on future financing policies are now being held. . . . While it is not possible to forecast what this policy may be, there are conclusions that can be reached based on the pattern of financing that will be adopted. . . . If there is a continuation of the program of financing maturing and called issues with short-term low-coupon obligations, then there will be a further spurt in prices of intermediate and long-term bonds. . . . Should there be some long-term obligations in the financing program, then there will be a tendency for the market to stabilize or even move slightly lower from prevailing prices. . . . There might even be some minor selling of the bank eligible issues by the non-banking institutions. . . .

THE MONEY SUPPLY

Money in circulation declined $530,000,000 during the three weeks ended Jan. 16. . . . Before the war it was normal for currency to flow back to the banks after the Christmas holidays. . . . In the war years, however, demand for currency increased so rapidly that this did not occur. . . . Now there is good reason to believe that the post-holiday contraction of currency in circulation will continue for some time to come. . . . Heavy deposits of cash in the banks merely expand bank deposits, so that the total money supply will remain unchanged. . . .

But when the banks in turn deposit this surplus currency in the Reserve Banks, excess reserves will be expanded, so that important consequences will follow in the banking system. . . . Unless steps are taken to eliminate additional excess reserves, the pressure of funds on the bond market will increase and interest rates will tend to decline further. . . .

To prevent this, the Reserve Banks should reduce their holdings of Government securities. . . . They can readily do this by refraining from replacing some of their present holdings of certificates and notes as they mature. . . . They can also revise their open market operations and sell some of their present issues, as the currency comes back to the banks. . . .

VICTORY LOAN TOTALS

Total subscriptions to the Victory Loan aggregated $21,114,000,000, with a grand total of $22,540,000,000 being realized. . . . The latter figure includes $1,396,000,000 of purchases of obligations that were considered to be outside of the drive and were not counted in the loan totals. . . . Sales of marketable issues as reported by Secretary of the Treasury Vinson were as follows:

Treasury—2½%, due Dec. 15, 1967/72—	
1) Bought by "Other Investors"	$9,819,000,000
2) Bought by Commercial Banks	853,000,000
3) Bought by Treasury Investment Accounts	1,017,000,000
Total outstanding	$11,689,000,000
Treasury—2¼%, due Dec. 15, 1959/62—	
1) Bought by "Other Investors"	$3,045,000,000
2) Bought by Commercial Banks	423,000,000
Total outstanding	$3,468,000,000
Treasury—⅞% Certificates, due Dec. 1, 1946—	
1) Bought by "Other Investors"	$3,737,000,000
2) Bought by Commercial Banks	30,000,000
Total outstanding	$3,767,000,000
Total marketable securities	$18,924,000,000

Figures recently released by the Treasury show that the fear of lower coupon rates, smaller amounts of Government financing, as well as longer intervals between financial operations, resulted in very heavy subscriptions to the longest bond offered in the Victory Drive. . . .

LONG 2½s FAVORED

Purchases of this obligation amounted to $11,689,000,000, or more than 50% of the total obtained in the campaign. . . . This makes the 2½s due Dec. 15, 1967/72, the largest outstanding marketable issue, including both the bank eligibles and the restricted bonds. . . . It is also the only outstanding obligation that is in excess of $11 billion. . . .

The next largest marketable issue to the recently floated 2½s is the 2s due Dec. 15, 1952/54. . . . The 2¼s due Dec. 15, 1959/62, were bought to the extent of $3,468,000,000, which makes this issue the smallest of the restricted 2¼% obligations. . . . Purchases of the 2¼s due Dec. 15, 1959/62, were about 30% of the amount invested in the 2½s due Dec. 15, 1962/67. . . .

It is interesting to note that Treasury investment account funds were put entirely into the 2½s due Dec. 15, 1967/72. . . . In the Seventh War Loan Drive these funds were used to purchase both the 2¼s and 2½s, with about 20% of the total being invested in the lower coupon obligation. . . .

Commercial banks bought twice as many 2½s as they did 2¼s, with the ⅞% certificates being purchased only in negligible amounts as was the case in the Seventh War Loan. . . .

Partners Resume at Draper, Sears & Co.

BOSTON, MASS. Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges, announce that George Draper, Lieutenant-Colonel, AUS; Harry W. Besse, Lieutenant-Colonel, AUS; Charles T. Russell, Jr., Lieutenant Commander, USNR; Robert H. Jewell, Major, AUS; and Casimir deRham, Lieutenant, USNR, have resumed their activities as general partners of the firm.

Of the firm's nine partners, these five served in the armed forces during the war for periods up to three and three-quarters years. Four of them had many months of overseas duty.

Southern Union Gas Preferred Offered

An underwriting syndicate headed by E. H. Rollins & Sons, Inc., made a public offering Jan. 22 of 12,174 shares of Southern Union Gas Co. 4¼% cumulative preferred stock (par $100), at $101.50 a share, plus accrued dividends.

The shares offered represent the balance of an original issue of 27,000 shares initially offered to holders of the company's outstanding 25-year sinking fund 6% debentures, due 1967, on an exchange basis of one share of new preferred for each $100 principal amount of debentures held. The exchange period expired Jan. 21.

Business Man's Bookshelf

Annual Survey of American Law—Vols. 1-4, 1942-1945—New York University School of Law, Washington Square, New York 3, N. Y.—$5.00.

Industry in Latin America—George Wythe—Columbia University Press, Morningside Heights, N. Y.—cloth—$4.00.

Tax Status of Securities in Pennsylvania—Approved list of prices of taxable stocks and tax free bonds and stocks, including bonds on which a refund is paid—Union National Bank of Pittsburgh, Pittsburgh, Pa.—paper.

"Ten Per Cent" Fallacy, The—Amos E. Taylor—Carnegie Endowment for International Peace—405 West 117th Street, New York 27, N. Y.—paper—10¢.

Your Corporation Taxes, 1946 Edition—J. K. Lasser—Simon and Schuster, New York—paper—$2.00.

Your Income Tax, 1946 Edition—J. K. Lasser—Simon and Schuster, New York—paper—$1.00.

Why Loan to Britain Should Be Denied

(Continued from page 371)

of the question of International Exchange that the transaction is not a loan but a gift; a gift, for political purposes, disguised as a loan and that it must be so considered by those who wish to speak of things as they are.

But before entering a more detailed discussion let me say that I do not oppose the Proposal because of any prejudice against or dislike of Great Britain or the British. I oppose it because I believe it to be harmful to the United States and ultimately to Great Britain. Moreover I believe it to be harmful to British-American relations since it means new defaults and new recriminations. The latter have already commenced. Technical default upon the primary obligation might be postponed through waiver of interest since the annual installments and interest payments due after Dec. 31, 1952, apparently by design, are identical in amount. But there is little likelihood that any substantial payment can ever be made. The unavoidable default upon the loans which followed the first war is ample evidence of this since the causes of that default are no less operative today. *But from our side there can be no postponement of the profoundly adverse effect of draining off of $4,000,000,000 worth of things of value and the addition of $4,000,000,000 of inflation to our already inflated medium of exchange.*

I

We are living in an age of grandiose illusions. Immutable truths are flaunted as lightly as though they did not exist. In complete disregard of the substance of things it is proposed that we erect enduring financial and political structures of worldwide scope upon foundations no more tangible than the pretense that things every sensible person the world over knows to be false are true. No better illustration of this is to be found than in the proposal for this pretended loan and those those which, though unannounced, are to follow it.

As a nation we are now emerging greatly weakened from a long war. In its prosecution we have borne, both our own burden of production, , and a great part of that of others. The wealth of the nation has been shipped abroad with a prodigality unknown in human history. It will never return. Our people, many with apparent surprise, now discover themselves unable to obtain things heretofore abundant and deemed essential or if obtainable only of poor quality and at shocking prices. Millions of families are without homes or shelter though no bomb has fallen on our shores. Our Government informs us that five years of concerted effort and priority of materials will be required to provide homes for those now homeless. These are unpleasant facts and might be calculated to give us pause.

We know, Congressman, that our forests have been ruthlessly ravaged; that our oil reserves have been heavily drawn upon; that our mines and minerals have been depleted; our soil overcropped; our transport demoralized; our industrial plant undermaintained; that a quarter of a million of our strongest young men have been lost; a million wounded; that we face future burdens in the care of these, and in bonuses for those who served; that by reason of changed conditions in the world we shall be obliged to maintain a standing military establishment greater than any heretofore known in our history, and greater in annual cost than twice the total amount of our pre-war national budget.

Yet despite this appalling wastage of our physical and human assets and the heavy burden the nation faces in making up for five years of lost time, so painfully illustrated by the spectacle of five million homeless families, there are men in high office who assure us that there is no need to abate the wastage or discontinue the giving away of the nation's things of value. That we are no less rich than before, and that a period of boundless prosperity, leisure and happiness is just ahead. Upon what do these men base assurances so contrary to the seeming facts and human experience?

Why, Congressman, upon nothing more than the fact, indisputable of course, that the Government has printed and distributed among the people pieces of paper in payment for everything of value consumed to date, and upon the assumption that it will print and distribute additional pieces of paper to cover future depletion of our store of things of value.

But yesterday there came to my desk from a house of distinction engaged in investment analysis, the singular statement that these pieces of paper, received by the people from their Government in exchange for materials and services during the War and preceding it, constitute an "immense reservoir of liquid wealth." If this paper constitutes an "immense reservoir of liquid wealth" then, Congressman, what is to be said for the stupidity of a government which failed to pay at least twice as much for everything as was paid since by this wise act our "reservoir of liquid wealth" would now be twice as large as it is and our political benefactions throughout the world could be doubled or even tripled.

This paper, which we are soberly told constitutes an "immense reservoir of liquid wealth" is called "Money" or lawful money may be secured for it upon demand. But despite its alluring name, Congressman, a magical name derived from days when money coined from gold or other rare metals was a thing of substance and intrinsic value, the thing the people of the United States now possess in place of the physical things of value destroyed or shipped abroad uncompensated is of no intrinsic value at all. It is paper and nothing else, as anyone can observe who will examine it. It can be produced in any quantity at little cost and with great speed and is redeemable in nothing more substantial than more paper. And it is no less plain that except for the things of value within the country for which it can be exchanged, things which either have been produced or which must be produced or created by the people as a whole, it is worth no more than any other paper of similar quality.

And here is the crux of the matter. *The outstanding or potential currency of a country, whatever its nominal or face value, constitutes no more than a draft against the country's wealth. It is not wealth. It adds nohing to the wealth of the country issuing it.* If a Government can make good the wasted or exported wealth of its people by issuing them currency in payment for it then a person can make good his overdrawn bank account by drawing additional checks against it. Even the most optimistic gentlemen of our Treasury would probably shrink from attempting the latter procedure.

It is from this angle that I wish first to discuss the proposed transfer to a foreign country of American things of value, since in essence it comes to this and nothing more. Notwithstanding the wastage in the country's things of value, a wastage apparent on every hand and nowhere more appalling than in respect to homes, five million of which with all their furnishings are urgently required to shelter families now homeless, there are to be exported many bilion dollars of physical things of value, for the most part not yet created but presently to be created. In the place of these exported things of value the American people are to accept and incorporate into the already inflated volume of their circulation medium nothing more than additional paper supplied to the purchasers by their own government and at its own cost. That this additional paper will be called money or will be convertible into money changes the situation in not the slightest particular. By whatever name known it is paper and nothing more. *It is not wealth and it is without value save as we ourselves place value behind it by our production and net accumulation of things of value, a slow and painful process.* And it is of particular importance that sight be not lost of the fact that even though he so-called loan were paid in 50 years, a clear impossibility, the result to the present generation would be precisely the same as though it *were never paid at all. And since the result is the same, the economic and political implications will be the same.* This generation will have transferred things of value created and accumulated by its effort and sacrifice for nothing more than an agreed dollar equivalent of paper money inflation, in itself a harmful thing. An understanding of what is proposed can readily be had by supposing all the things of value of a nation to be assembled in warehouses. If from these warehouses property was removed and printed pieces of paper left in their place public outcry would not long be delayed. No one could be made to believe that these pieces of paper, possessing no intrinsic value, were a fair exchange for the useful and desirable product of the nation's labor.

II

Like persons, Governments may, and often do, postpone the day of reckoning for their financial follies. The spendthrift, his very expenditures giving false appearance of prosperity, may extend the period of his profligacy over many years, the term being limited only by the size of his wasting fortune and the character of his credit. A government may practice every fiscal folly and for a time, like the spendthrift, give appearance of prosperity. But for either the end is the same. This is as certain as the mathematical formula that two taken from two leaves but zero.

The process by which governments finance their follies and secretly consume the savings of their citizens is that of monetary inflation. It is not a modern invention. In ancient days, before discovery of the art of printing, inflations took the form of coinage debasement. Printing has simplified the practice. The government of today has but to withdraw gold from circulation and make individual holding of gold a crime. Then, proceeding upon a printed money basis, public spending is in actuality limited only by the speed of the presses, the consumable wealth of those who have saved. True, the outcries of those who understand the practice and foresee the inevitable disaster impending, tend to slow the process. But only a determined and honest government can stop it.

Governments engaged in the spoliation of their citizens through inflation do not admit their practices to be of evil consequence. On the contrary they defend and justify them, and, when called to account by those determined to speak the truth, proclaim each succeeding inflationary issue to be actuated by the noblest of motives. They lull the people with explanations pointing out that, while inflations generally are evil, their own particular acts of inflation are exceptions to the rule, and beneficial; that while previous inflations have passed out of control theirs will be held rigidly in check. These explanations and assurances are accepted by the mass of the people until by the disastrous consequences apparent on every side the truth is forced upon them. They then turn in fury against those in office and not infrequently overthrow the government itself. It was clear understanding of this that brought from Lenin his famous aphorism that no better method of bringing about the overthrow of a capitalistic society was to be found than that of inflating its currency.

For almost 15 years our Government has been following the course of the spendthrift. By plausible explanation of each successive act; by qualification and evasion as well as by gross deception, the fears of the people have been quieted or overcome. But even the least informed can now see that the day of inevitable reckoning is close at hand. Our currency and credit and convertible obligations are grossly inflated, and vast new inflations are being seriously considered. Within a period during which our national wealth has been shrinking through the wastage of war and uncompensated exports, the deposits in banks have in many instances quadrupled. The currency in circulation has increased out of all reason. The Government's obligations, the market price of which is being supported by it, an evil practice which must continue if our banking system is to stand, are approaching $300 billions. So clear are the signs that those who promoted and advocated these ruinous fiscal policies are themselves now filled with alarm, and in public addresses and paid advertisements urge the people not to spend the money they themselves as officials of Government have paid them as their honest due for materials and services. Observing these appeals to fall on deaf ears, since the fears the appeals arouse themselves promote the spending of the suspected currency, these men search for means and schemes to control the forces they have set in motion. Of those advocated and now being tried not one is new. All have been repeatedly tried and without success by terrified officials no less frightened respecting their handiwork than our own. The history of inflation, as well as consideration of the nature and habits of man, disclose their utter futility.

For a government to temporarily deceive its people by the practice of inflation, a process by which *the value* of money and of all savings and accumulations payable in dollars is secretly filched from its owners, large or small, is not difficult, as history proves, since under pressure of floods of new money a short period of false prosperity ensues.

But to devitalize issued and outstanding money by laws or regulations intended to render it unspendable at the will of the owner is impossible. In proof of this one needs go no farther than an examination of the great European inflations of the '20's with their futile attempts at control If further proof is required an examinaion of the two great inflations of France during the Eighteenth Century should be sufficient. Such studies amply sustain the melancholy proverb that history teaches but one thing, which is that from history, mankind learns nothing.

But irrespective of the impossibility of enforcement, and despite the confident hope of ignorant or ill-informed persons however well or ill-intentioned, it is but a shabby pretense to assert that price controls can prevent inflation. *Price control is at best but a futile attack upon the symptoms of inflation and not upon inflation itself.* Yet, so low is public comprehension of the true nature of monetary inflation, that the press and the air are daily filled with earnest comment respecting the urgent necessity of "price control to prevent inflation." And it is an unhappy commentary upon the national intelligence that often the very persons in our Treasury and its collatoral bureaus most vocal in demanding measures to attack the now patently observable symptoms of inflation are quite as busily engaged in stimulating and spreading the infection itself. While crying out against its dangers, they continue without end to demand of Congress additional inflationary measures.

All this is as lacking in intelligence as attempts to control a pestilence by treating the symptoms of its victims while deliberately innoculating them with its germs, or to overcome the cold of winter by changing the graduation of the thermometer. Those who indulge in such practices, and by their pretenses lead a credulous people to their ruin are but the civilized counterpart of the medicine men and voodoo doctors of primitive peoples. Both act in defiance of reason and the pretenses of one are no more valid than those of the other.

Yet since editors and publicists and men in high office in sober writing and speech give daily expression to the vague belief that inflation is somehow to be prevented by price control I propose to define and explain, in general terms without attempting lesser qualifications, that dreaded financial phenomenon.

III

(a) The economic or financial phenomenon "inflation" occurs when a government, to cover expenditures in excess of its revenues, issues currency or credits beyond the nation's normal commercial requirements. The word "inflation" *is descriptive of the condition of the country's inflated purchasing medium,* and not of the higher general price level which is the unavoidable consequence of the practice.

(b) Higher price levels, while the certain results of monetary inflation, are not the cause of it. Governments alone can cause inflation. Inflation brings higher prices. Higher prices do not bring inflation. Neither will the artificial holding down of prices prevent inflation.

(c) The rising prices which are the centain consequences of monetary inflation are general. The entire price level is affected. For this reason it benefits no one and harms everyone. Those property owners suffering most severely are holders of bonds, life insurance policies, annuities; mortgages, and other instruments of credit. This is because the obligations they possess are payable in a fixed number of dollars and the dollar, because of the inflation, is being permanently robbed of its value. The holders or producers of physical things, the prices of which can be advanced as the value of the dollar declines, suffer less severely. Salaried workers and pensioners whether in private or public service suffer severely since increases in salaries and pensions invariably lag behind the advancing cost of living. Inflations, as shown by the history of such phenomena, usually start slowly and proceed at a steadily accelerating pace. In the end the entire population is brought to ruin by them. They may be halted by the cessation of inflationary issues but the outstanding inflation will continue to affect general price levels and when new inflationary issues are emitted new price levels will be formed.

(d) Higher price levels result from monetary inflation because newly printed dollars are issued and placed in circulation by the Government without a correspond-

ing increase in the nation's purchasable wealth and perhaps, as in time of war, when a nation's purchasable wealth is actually decreasing. Most people are unaware of what is happening and confusion in public thinking arises from failure to observe that the total purchasing power of a country's total purchasing medium can never be greater than the total value of the country's purchasable things and services. It is a principle from which there is no escape that irrespective of the amount of money issued and placed in circulation by the Government no more can be purchased with it than the existing purchasable wealth of the country. The only exception to this rule is gold or metallic coinage which because of its intrinsic value as metal may be used for purchases abroad. No gold is in circulation in the United States. The currency of the United States is not redeemable in gold, and its citizens are forbidden by law to own gold bullion or bars except by permission of Government for limited industrial use. Small silver and base metal coinage is insignificant in amount. Thus while increase in the volume of purchasable things and services will increase the purchasing power of a country's purchasing medium irrespective of its face value, increase in the amount of purchasing medium or of its face value without a corresponding increase in purchasable things and services increases the prices of things and nothing more.

IV

No amount of public or private sophistry can conceal the fact that the circulating medium of the United States is now heavily inflated. To even the untrained eye the evidences of this inflation are everywhere apparent. Black markets, which are in fact no more than underground free markets, flourish. The people do not hesitate to resort to them. Indeed, so apparent are the manifestations of our inflated circulation that as already stated the Government itself has become chief public alarmist and resorts to the press and the air to voice its alarm.

But it cries out only for suppression of the symptoms while steadily promoting the spread of the disease.

Nor can it be disputed that the proposed transaction with Great Britain, by whatever name known, calls for an additional inflationary emission of currency or its equivalent in credit of four thousand million dollars *the projection of which from an already heavily unbalanced base plus the removal of $4 billion of purchasable wealth from our national store give it additional inflationary impetus;* nor is Congress unaware, that as though this stupendous act of inflation were of little consequence, the Treasury proposes to follow it by far greater emissions of a similar character to cover similar transactions with other nations. It is the estimate of trained Washington observers that the total will aggregate $20 billion.

It is therefore clear that Congressional approval alone is now lacking for a transaction which, shorn of its circumlocution, comes to this: Foreign Governments, both those directly in business and those presumably governing countries of private enterprise, are to be given United States currency or United States credits which represent, insofar as our Government is concerned, simon-pure paper inflation of our circulating medium. This currency or these credits will be exchanged for tangible American things of value which will be removed from the country. *As a result we shall have, assuming the estimates of contemplated transactions to be correct, upward of $20 billion of additional inflation and $20 billions less of actual purchasable wealth within the country.* In a Treasury safe will repose printed documents bearing agreements of the debtor countries, that the government of the people inhabiting their countries throughout a period of 50 years will make repayment to the government established here. We will have nothing more.

That such agreements, even if faithfully kept could have no bearing whatever upon the inflationary effects of these transactions nor lessen the shock of these prodigious uncompensated removals of property from our shores is plain beyond possibility of dispute. Whatever future generations may on the one side pay or upon the other receive will not affect the present. But it ought to be clear enough to students of our fiscal policy as well as those of our proposed debtors that the present dollar, pound and ruble are not unlikely to have gone the way of all currency long before that date arrives.

One is not unwarranted in believing that outside Bedlam justification for such a series of transactions is not to be found.

V

In consideration for these acts so grossly inflationary, since at one and the same time we are to inflate our circulating medium by billions, while parting with an equivalent amount of our purchasable wealth, what is the country to receive? Foreign trade, it is said. Is foreign trade beyond that paid for with the money we supply assured? In hopeful theory only. Is it written in the contract that tariffs and preferential barriers are to be removed throughout the Empire and all other countries favored by our beneficence? The agreement contains no such provision. On the contrary it is provided that the matter will be discussed. If the privilege of free entry of our goods into foreign lands is extended is it contemplated that we also must grant identical privileges for free entry of foreign goods into our markets? It is.

It is here, Congressman, that we had best sit up and take sharp notice, for we have now come to the very heart of the matter of exports. A great cry is on that export trade is our salvation. Through shipment of the products of our mills and factories to foreign lands, say these enthusiasts recently converted to an old fallacy, the nation will become rich and its people be kept employed.

Is this true? Certainly we shall not become rich but poor if we do no more than ship our wealth abroad. We must be paid for it. Not only must we be paid for it but that which we receive in payment must be of greater value than the cost to us of what we have sold. Otherwise there can be no profit. *Now how shall we be paid? Obviously,* since there is no other, in the one way possible, *by a return to us of goods and services of foreign make and origin.* It is here that we had best give thought to the problem of employment for our workmen, since it is impossible to dispute that a thing of foreign make sold upon our markets in competition with a similar item of home make displaces the domestic item and in so doing displaces domestic labor. So when we open our markets to the foreigner in consideration of the opening of his it is not a game of take alone but of give and take, and not until our gains are balanced against our losses can the value of the policy be determined. But from one unpleasant fact there can be no escape. Many American industries must be ruined in the process that others may prosper. Our economy has been built behind walls of protection and in the process of transition to a free or near free trade many now thriving industries and populous areas must be sacrificed. Unless we are prepared to meet the political and financial repercussion of such a transition we had best abandon our project of attempting to acquire national wealth through export trade, since export trade without corresponding imports is merely giving our wealth away. With that we have already had one unhappy experience.

VI

The grants under discussion are justified by their proponents as a method of profitably developing our export trade which in turn is expected to keep our people employed and buttress our domestic economy. I propose to examine these expectations from still another angle; that of subsidizing out of our National Treasury foreign manufacturers engaged both at home and abroad in competition with our own. The apparent amount of the proposed subsidies is approximately $20 billion. To propose this great levy against our own producers in favor of foreign governments which are also competing businesses is strange. It is even more strange to propose it as a measure for promotion of the nation's trade. Yet the openly announced purposes of such grants is such subsidization.

No better method of making this plain is to be found than by consideration of the case of Russia, since the system prevailing there is to be followed by many others. The Government of Russia is the owner and operator of all the industry of Russia and the producer and exporter of all that is produced and exported by that country. It fixes the wage of labor and the price to be paid by labor for what it is permitted to purchase. It determines what is to be imported since as sole retailer it is government, importer, and retailer in one. It determines what is to be exported and at what price sold abroad. It is clear that to such a government tariffs and trade barriers to protect its domestic markets are meaningless. Being the sole buyer from abroad it buys what it chooses and declines all else. Since it is the sole exporter it could not be charged with the practice of subsidizing exports. Great Britain has adopted a similar system and is proceeding to bring it into practice. France is likewise taking over French industry as are all the Balkan States now under Russian suzerainty.

It is not *with the citizens* of such countries that our manufacturers and producers are to compete either for foreign trade or for our own domestic trade once our home markets are thrown open. It is against *government-in-business* that they must compete. And these governments-in-business are the very governments to which prodigal grants out of our public funds, to be met by deficit financing, are proposed.

Say those who argue for this extraordinary proposal; we intend by these grants to make these foreign *governments-in-business* strong and thus enable them to purchase heavily from us. That no better plan could be devised for sapping the strength and ultimately destroying our own producers and manufacturers than to inflate their currency and tax them in favor of foreign governments-in-business, while simultaneously throwing open our domestic markets to such governments, seems a matter of complete indifference to these planners.

In the past subsidizing of our export trade has often been advocated. Such plans have as often been abandoned because of the determined opposition of foreign countries to the admission of subsidized goods in competition with those produced by their own citizens. Both attitudes can be understood; the desire to subsidize exports and the determination to bar subsidized imports. Each position is prompted by national self-interest. *But who will explain upon any rational hypothesis the demand that a country subsidize the foreign competitor of its own citizens?*

VII

Another angle from which this proposal must be viewed is more nearly political. For the first time in our history we are faced with the maintenance of a great standing military establishment and with peace time compulsory military training. The cost of this is estimated at $15 billion per year. This prospect we do not face willingly but as a matter of forced necessity. Forced by whom? The answer is by the great military and naval establishments maintained by others with empires and ancient and recent conquests to protect, and hence filled with fear and suspicion respecting the designs of others. *It is precisely to those who maintain such establishments that these prodigious grants are to be made.* Will it be said that by so doing we will not help create and maintain the very threat that forces us to become a militaristic nation against our will? Yes, Congressman, I have heard the proponents of this measure say "But our grants are to be used for no such purpose." I shall not assume that any adult person is to be taken in by suggestions such as these. These grants mean that the products of our mines and fields and mills and factories are to be made available to foreign governments to the extent of perhaps $20 billion, and admittedly for no payment whatsoever, insofar as the present generation within either country is concerned. By so placing our mills and factories, our labor and our natural resources at the uncompensated disposal of foreign States we release the labor resources of such States to whatever purpose they may choose. It would seem that public folly could go no farther.

VIII

Mr. Lincoln once said that if our nation perishes the causes will be internal and not external. The truth of his prediction seems about to be demonstrated.

We are importuned by men in high position to follow a course, which, while baffling comprehension and defying reason, leads to national ruin.

Their proposals come to this:

While demanding of the country unparalleled taxation; abstention from spending though money was never so plentiful; and speedup of production, all to combat the rapidly mounting inflation, they call upon Congress for legislation to enable foreign governments to enter our markets when and where they will and buy for removal almost unlimited quantities of the nation's already shortened stock of things of value, *to be paid for with that, which, (supplied by us) constitutes no more than additional inflation.* Lest the people become idle they propose that they be set at the task of creating things of value desperately needed at home to be immediately sent abroad in exchange for a prearranged number of our own irredeemable pieces of paper. And in making this demand they do not conceal the fact that for this unparelleled personal sacrifice on the part of those now living there is, as to those making it, to be no return.

While protesting their desire to aid domestic recovery these leaders arrange and defend plans to throw open our home markets to governments-in-business which are to be the recipients of gifts staggering in amount, and they are either quite oblivious or quite indifferent to the fact that their proposals result in exaction of levies against domestic business to be handed over as subsidies to its invading competitors.

While demanding of our people financial and spiritual sacrifices for a standing military establishment and universal peace-time training, a thing heretofore unknown to us, they propose immense gifts by way of aid and reinforcement to those governments whose great and ever increasing military establishments make necessary our own.

In short, Congressmen, as a method of enriching the country and promoting its commerce these men propose that our people be deceived into exchanging created things of value for paper which represents pure inflation of our circulating medium and nothing more, paper to be printed and supplied by ourselves to the purchasers: that such created things of value be severed from our national store and shipped to foreign governments-in-business which, thus subsidized, will be given access to our markets in exchange for a meaningless entrance into theirs. And as a means of preserving the world's peace and insuring our national safety they propose that from the already seriously diminished wealth of the nation gifts more prodigal than any heretofore known to man be made to those whose armies and war establishments and imperial ambitions constitute the only threat to our own safety or the world's peace. They would enrich their country by giving away its wealth; they would promote the prosperity of its farmers and manufacturers by subsidizing their foreign competitors; and to insure its peace and safety they would make prodigal gifts to those whose military establishments constitute our only danger.

My excuse for presuming to write you at such length is the apprehension I feel for the country, an apprehension aroused by the nearly uniform prediction on the part of Washington observers that this measure and others of similar import will be forced through Congress. If such measures, under existing circumstances, are passed what hope can longer be entertained that the ruinous policy of inflation we are now embarked upon can ever be stopped?

First Boston-Blyth Group Offers Dallas Railway Common Stock

The First Boston Corp. and Blyth & Co., Inc., jointly headed an underwriting group which offered to the public Jan. 23 162,500 shares of Dallas Railway & Terminal Co. (par $20) common stock at $23.25 per share. The shares, constituting all of the outstanding common stock of the company, were awarded to the group Jan. 21 at competitive bidding at $21.649 per share.

Proceeds of the sale will go to Electric Power & Light Corp., which, as the parent company, owned all of the outstanding stock of Dallas Railway & Terminal. In consequence of the sale the company will cease to be either a subsidiary or an affiliate of Electric Power & Light Corporation.

Dallas Railway & Terminal provides local electric street railway and motor coach service in Dallas, Texas, and vicinity. In addition the company owns an eight-story office building in Dallas, a part of which is equipped as a modern terminal station.

Operating revenues of Dallas Railway & Terminal for the 12 months ended Oct. 31, 1945, amounted to $6,633,052 and net income was $961,049.

Directors of the company at a meeting held on Jan. 10, 1946, declared a dividend of $56,875 on the common stock payable Jan. 15, 1946. Dividends aggregating $227,500 were paid on the old $100 par common stock in 1945.

Dahlberg Now Proprietor

TUCSON, ARIZ.—Francis J. Stone having retired from the firm, Henry E. Dahlberg is now sole proprietor of Henry Dahlberg & Co., 11 East Pennington Street.

Bank Portfolio Management Under Current Conditions

(Continued from page 372)

of purchases and sales of the securities held in each Account.

The Secondary Reserve Account should consist of high-grade, readily marketable securities maturing within two years, bankers' acceptances and prime commercial paper. Its function should be to provide funds needed from investments to meet declines in deposits and increases in loans, with a fair rate of return consistent with the ready availability of the funds represented.

The Investment Account should consist of all other securities held by the bank. Its function should be to provide income and to supplement the Secondary Reserve Account by supplying any additional funds that may be needed to meet declines in deposits and increases in loans.

The term Primary Reserve Account usually refers to cash on hand and balances due from banks. But that Account does not fall within the scope of this paper. In considering basic investment policy we are here concerned with only the Secondary Reserve Account and the Investment Account.

Secondary Reserve Account

In the management of the Secondary Reserve Account the importance of its size cannot be overestimated. If it is larger than needed over the years it will penalize earnings. If it is smaller than needed it may lead to losses through having to liquidate longer term investments in unfavorable markets at depressed prices. There is no accurate way to determine its correct size, but constant vigilance, good judgment and careful estimates can do much to make it approximate what is desirable.

The estimates required are: first, a deposit minimum, i. e., the level to which deposits may decline, within a given period of time, assuming a sustained and drastic decline in deposits; and, secondly, a loan maximum, i.e., the level to which loans may advance, within the same period of time, assuming the maximum probable demand from customers. In selecting the period of time to consider, my preference is for two years. It measures the life of the longest investment deemed suitable for Secondary Reserves. It is short enough to be within the realm of reasonable appraisal and yet long enough to allow for a major decline in deposits and increase in loans.

To estimate the levels to which deposits may decline and loans advance, within the next two years, a bank's deposit and loan experience should be considered, with due regard to recent and prospective developments which might suggest greater or smaller movements in the near future than indicated by experience.

Charts of deposit and loan movements covering ten or more years for the bank in question, and for banks generally for comparative purposes, will aid in visualizing what has happened and what may happen. In the last analysis, however, it is the judgment of the officers in the bank concerned that should determine its deposit minimum and loan maximum.

Once the deposit minimum and the loan maximum have been fixed, the aggregate amount of funds that should be employed in the Secondary Reserve Account can be determined as follows:

1. Compute the difference between current deposits and the established deposit minimum and the difference between current loans and the established loan maximum. The total of these differences represents the amount of declines in deposits and increases in loans for which provision should be made.

2. From this total subtract the amount due from banks in excess of legal reserves and the amount of legal reserves that would be realized in the event of a decline in deposits to the established deposit minimum. The resulting balance represents the amount required in Secondary Reserves.

Maturity distribution and quality of investments in the Secondary Reserve Account call for no discussion here as they are limited by definition to obligations of high quality and ready marketability maturing within two years. Diversification by obligor is important but less so than in the Investment Account, in dealing with which sound principles of such diversification will be discussed.

Proper timing of purchases and sales in the Secondary Reserve Account may be divided into those which represent day-to-day transactions in response to deposit and loan movements, and those that are undertaken after reappraising the needs for such investments to meet declines in deposits and increases in loans.

As funds become available for the purchase of securities as the result of day-to-day increases in deposits and repayment of loans, they should be employed promptly in Secondary Reserve Account investments, thus raising the total in the Account.

As invested funds are needed to meet day-to-day declines in deposits and increases in loans, they should be provided promptly by liquidating Secondary Reserve Account investments. Conceivably this might result, at some time, in completely eliminating all such investments. But, if that should happen, it should not necessarily be a cause for worry. The investments in the Secondary Reserve Account are reserves, as the name implies, and are held to meet such contingencies. They should be so used when needed. Not to do so in an effort to maintain a pattern of maturity distribution to which a bank has become accustomed will normally penalize income and lead to the unsound practice of making changes in longer term investments in response to current changes in deposits and loans.

Increases or reductions in the amount of Secondary Reserve investments not resulting from day-to-day deposit and loan movements should be made only after appraisals of the amount needed in the Account. These appraisals should be made not less frequently than quarterly. Whenever it is found that the Secondary Reserve Account should be increased, action to that end should be taken promptly with proceeds from the sale of securities held in the Investment Account. Contrariwise, whenever it is found that the Secondary Reserve Account is larger than needed, consideration should be given promptly to reducing the amount to that needed, with a corresponding increase in securities held in the Investment Account.

Investment Account

The Investment Account, which consists of all securities not held in the Secondary Reserve Account, presents more problems with respect to maturity distribution, quality, diversification, and timing of purchases and sales.

Maturity Distribution: Let us first take up the question of maturity distribution. Since the amount of funds that should be held to meet possible declines in deposits and increases in loans cannot be determined accurately, additional amounts of securities should be available for this purpose. This can be accomplished by having a portion of the Investment Account invested in securities with a maturity of two to five years. Such holdings should be in an amount sufficient to provide a good margin of safety to meet declines in deposits and increases in loans, over and above that provided for in the Secondary Reserve Account.

The balance of the securities held in the Investment Account should represent investments which the bank believes it can and would be willing to hold to maturity or near to maturity. This qualification is important. It not only refers to individual issues maturing in more than five years but also to the aggregate amount of such issues and the longest term issue that may be held. Maturities up to ten years have been regarded as appropriate for bank investment by the banking and monetary authorities. However, there appears no reason why a bank should not buy longer maturities, provided those responsible for the bank's investments feel comfortable with longer maturities and will not be unduly disturbed if such securities at times show book losses.

Within these maturity groupings, that is, two to five years and over five years, maturity distribution by calendar years is a matter of some but not too great importance and becomes progressively less important the longer the maturities involved. Certainly no arbitrary pattern, theoretically desirable, should be set and adhered to which would unduly reduce income or which would necessitate an impairment of quality.

In the last analysis, a suitable maturity distribution for a given bank is one that fits its individual needs. There is no one pattern that fits the needs of all banks at any given time, or any one bank at all times.

Quality of Investments: Taking up next the matter of quality, it is very essential that the securities maturing in two to five years which are held in the Investment Account as an added margin of safety to meet declines in deposits and increases in loans, should be of high quality. Lower grade issues should not be held for this purpose as they do not afford assurance of the degree of price stability desired.

The bulk of investments maturing in more than five years should be high in quality. But some issues of good quality, as distinct from high quality, may properly be included provided the bank knows well what it is buying and its capital funds or reserves are sufficiently large to effect, without embarrassment, the write-downs or charge-offs that may be necessary.

The highest quality in investments is to be found in U. S. Government obligations. They involve no credit risk, if credit risk is defined as the ability of the borrower to obtain the currency needed to meet interest and principal payments when due. Barring developments that would cause such bonds to be offered in volume far in excess of the public demand for them, or the willingness of Federal Reserve Banks to acquire them at prevailing prices, such bonds may be expected to move largely with interest rates.

The lowest quality bonds which a bank should consider buying are those of the type rated Baa. They involve a very considerable credit risk which may not be so apparent when business is good but which may become all too evident in periods of business depression. Then, bonds of this type may depreciate materially in price no matter how low interest rates may be at the time.

Diversification by Obligor: The principle of diversification by obligor is eminently sound, but in practice it is often carried to extremes which result in inducing carelessness (because of relatively small sums of money involved), averaging down quality, and building up portfolios in which the number of items is so large as to preclude the kind of careful watching so essential to successful portfolio management.

In considering the need for diversification it should be remembered that the higher the grade of obligations held the less the need for diversification, with the lower the grade the greater the need for diversification.

No limit need be put on the amount of a bank's funds that may be invested in U. S. Government bonds because their price fluctuations are likely to be less than in the case of other bonds of similar maturity and holders are assured of receiving interest and principal when due. On the other hand, if any bonds of Baa type are bought, not only should the total amount of money invested in such bonds be limited, but the amount invested in any one issue should be relatively small.

Timing of Purchases and Sales: We come now to the proper timing of purchases and sales.

After each appraisal of the amount of securities needed in the Secondary Reserve Account, the amount of securities held in the Investment Account which mature in two to five years should be considered. If the total is deemed to provide a smaller additional margin of safety than needed for meeting declines in deposits and increases in loans, the total should be promptly increased to the amount needed. If it is more than the amount needed, consideration should be given promptly to reducing the total to the amount needed.

The proper time to buy highest grade securities maturing in more than five years is when they are wanted and funds are available for the purpose. Delay, with the idea of investing at some later date at lower prices, may cost more than can be gained if the expected decline is long deferred or is of only minor proportions. When will the decline occur? How far will the decline go? These are questions of great pertinency which should be answered very specifically.

Again, in the case of highest grade securities maturing in more than five years it is questionable if they should ever be sold purely because of market conditions. Occasionally, of course, selling in anticipation of a decline in prices will pay, but those who make a practice of trying to sell highest grade issues at high prices, in the hope of reinvesting later at lower prices, will usually end up by losing more than they gain.

In the case of bonds of the Baa type, however, they should only be bought when bond prices are depressed, or at least are relatively low, and, if any are held, their sale should be considered when bond prices are high.

Between these extremes, highest grade bonds and those of the Baa type, are all manner of bonds of varying degrees of investment merit. As they approach either of these extremes they should be so treated. In the case of all substandard bonds, that is, those of the type rated lower than Baa, sales should be effected whenever they can be liquidated at prices deemed to reflect their intrinsic value.

To the extent that purchases and sales are timed as here called for, bank investing will be made easier, income will be increased and write-offs and headaches avoided. Unfortunately, there are too many instances in which such timing is not observed. This is likely to prove particularly costly where second and lower grade bonds are progressively substituted for higher grade securities as bond prices advance. The results are all too well-known—subsequent book losses, charge-offs and headaches.

Outlook for Deposits, Loans and Interest Rates

With this basic investment policy in mind, the next step, before making specific recommendations for portfolio management under current conditions, is to consider the outlook for deposits, loans and interest rates. Each bank will be affected to some extent by the movement of deposits and loans generally, and every bank will be affected very directly by changes in the level of interest rates.

In noting what I have to say regarding the outlook for deposits, loans and interest rates, a word of caution is necessary. My views today are based on what I know today. Tomorrow will bring to light new facts or new developments which may call for modifications or even reversals in these views. At all times those of us charged with investment responsibilities should keep an open mind, and I know of no better way to close one's mind than by dogmatically making or dogmatically accepting forecasts.

Deposits

Since 1900 the deposits of all banks in the country have been higher as of June 30 than they were on the same day of the previous year in all but seven of the last 45 years; namely, in 1908, 1921, 1930, 1931, 1932, 1933 and in 1938.

With this history as a background, what is the outlook for deposits in the next one to two years? My answer is that there is likely to be an increase in the total of bank deposits, but at a less rapid rate than in recent years. I hold the opinion that deposits will increase because I believe that the factors making for an increase in deposits over the next one or two years are likely to exceed those making for a decrease in deposits.

Factors which would make for an increase in deposits, with, of course, the opposite types of movements making for a decrease, would be:

The return of currency from circulation.

The importation of gold.

An increase in bank loans.

An increase in bank holdings of U. S. Government securities acquired directly from the Treasury or from the public.

An increase in bank holdings of other securities.

I have no opinions to express as to how deposits will move in individual communities and individual banks. That we are going to see some far-reaching shifts appears almost certain, but at this time no one can be sure how they will be redistributed. Bank officers in each community and in each bank should be the best judges of the movement of their deposits.

Loans

In the case of loans, as in deposits, I shall attempt to express only a view as to the movement of the total for banks generally.

In my opinion we are likely to witness an increase in the volume of bank loans over the next one to two years but nothing of a character to be startling. New loans are likely to be offset by the liquidation of a large volume of current loans made for the purpose of carrying U. S. Government securities. Furthermore, the loan total is likely to be held down by the ease with which corporations can raise funds by selling their securities on very favorable terms.

To the extent that loans do increase, however, banks will create the required credit and no net liquidation in the investment portfolios of banks in the aggregate will be required, except in

so far as it may be necessary to provide additional legal reserves occasioned by the resultant increase in deposits. When loans increase, individual lending banks may lose funds, which might require the sale of securities, but as the funds involved are redeposited in the banking system, banks receiving such deposits will be able to add to their security holdings.

Interest Rates

Unfortunately, I feel more confidence in expressing an opinion regarding the outlook for interest rates. I say unfortunately because I believe they are going to remain low for an indefinite perio dahead. I am more concerned about the possibility of even lower rates than about the effect on bond prices of any sustained advance in interest rates of even small proportions.

As far as I am able to determine, over the years immediately ahead the demand by banks for loans and investments is likely to exceed the supply. Furthermore, our monetary authorities will be more interested in keeping rates low than in seeing them rise, principally because any general increase in interest rates would almost immediately raise the cost of servicing the national debt.

The ability of our monetary authorities to keep interest rates low rests on the fact that interest rates are a function of banking reserves. As long as excess reserves exist there is a tendency for interest rates to decline. For some time these have been averaging about one billion dollars. They could be increased to over $35 billion dollars by the Federal Reserve Banks without invoking any of their extraordinary powers granted for emergencies. And with changes in laws, the sky is the limit.

It is only to be hoped that our monetary authorities will appreciate the undesirability of further lowering rates. To do so would be to invite grave social consequences.

Suggestions for Portfolio Management Under Current Conditions

To the extent there is ready acceptance of the basic investment policy outlined, and there is concurrence in the views expressed regarding the outlook for interest rates, the following suggestions are offered for portfolio management under current conditions:

1. Check holdings of high-grade, readily marketable, short-term securities held to meet declines in deposits and increases in loans and if the total is less than the amount needed, take prompt action to increase the total to the amount needed. If, on the other hand, they are in excess of needs, consider promptly reducing to the amount needed with reinvestment of the proceeds in longer term issues of the best grade.

2. Carefully examine holdings of securities maturing in more than two years with a view to liquidating or earmarking for liquidation, all substandard issues and all others which it is not desired to hold to maturity.

3. Even though corporate securities now offer more attractive returns than U. S. Government bonds, avoid having too large a proportion of the investment portfolio in corporate issues. Remember that fluctuations in business tend to be reflected in the prices of corporate bonds as a class, particularly those of lower grade.

4. If corporate issues with distant maturity dates are desired for bank investment, look first at some of the recent refunding issues of public utility operating companies which are secured by first mortgages, protected by wide margins of safety in earnings, and are still selling at prices below those at which they are callable.

5. Where bonds are redeemable prior to maturity and selling near their call price, regard the time to the first call date only as measuring the assured life of the issue.

6. Avoid progressively lowering the grade of securities held. While the outlook for business over the next few years is favorable, a recession will inevitably occur and will adversely affect the prices of lower grade bonds.

In summary, in this talk I have indicated the need for a basic investment policy and urged the maintenance in bank portfolios of a supply of high-grade, short-term securities sufficient at all times to meet estimated declines in deposits and increases in loans. I have advocated that short-term securities in excess of those needs be sold and the resultant funds be reinvested in highest grade, longer term securities. Finally, I have cautioned against reaching for income by progressively lowering the grade of investments held.

And now in closing for emphasis, I want to repeat that caution. The years ahead are going to be difficult ones in portfolio management and the urge to increase income by substituting lower for higher grade issues is going to be strong. To the extent we yield to that temptation, subsequent trouble will be invited. In many cases capital funds are relatively small in relation to deposits but when assets consist so largely of highest grade bonds, as they do today, there need be no cause for concern. But with any substantial investment in lower grade securities in relation to the amount of capital funds, the situation would be very different. Banks are strong today and should remain strong.

Philadelphia Bond Club Committees Named

PHILADELPHIA, PA. — Spencer D. Wright, Jr. of Wright, Wood & Co., president of the Bond Club of Philadelphia, announced the appointment of club committees for 1946 as follows:—

Arrangements Committee: Edward M. Fitch, Jr., E. M. Fitch & Co., Chairman; George L. Morris, Hornblower & Weeks; Elwood W. Miller, E. W. & R. C. Miller & Co.; J. B. Clement, Jr., W. E. Hutton & Co.; Samuel Evans, Jr.; C. C. Collings & Co.; Loring Dam, Eastman, Dillon & Co.; Henry R. Hallowell, Sulzberger & Co.; Thornton C. Pray, Wurts, Dulles & Co.; Harry B. Snyder, Yarnall & Co., and Pere Wilmer, Stroud & Co.

Attendance Committee: Harry D. Brown, Jr., Stroud & Co., Chairman; James B. Harper, Harper & Turner; Lewis H. Tilge, Hemphill, Noyes & Co.; Lawrence S. Warren, Reynolds & Co.; William H. Hobson, Jr., Blair & Co.; Robert M. Holdworth, Hornblower & Weeks; George J. Ourbacker, F. J. Young & Co.; Eugene Arnold, Harriman, Ripley & Co.; Samuel N. Kirkland, Jenks, Kirkland & Co., and Lewis C. Dick, Lewis C. Dick & Co.

Elective Committee: John C. Bogan, Jr., Sheridan, Bogan & Co., Chairman; Edward Boyd, Jr., Harriman, Ripley & Co.; H. V. B. Gallager, Yarnall & Co.; Norbert W. Markus, Smith, Barney & Co.; and O. J. Matthews, Kidder, Peabody & Co.

Publicity Committee: R. Conover Miller, E. W. & R. C. Miller & Co., Chairman; Kurt J. Huttlinger, F. P. Ristine & Co., and Wallace M. McCurdy, Thayer, Baker & Co.

Lester Doyle to Be Partner in Hardy Co.

Lester T. Doyle will be admitted to partnership in Hardy & Co., 30 Broad Street, New York City, members of the New York Stock Exchange, effective Feb. 1. Mr. Doyle has been with the firm for some years as manager of the stock department.

The Future of Germany

(Continued from page 375)

ited consequence of Nazi crimes. It does not, however, contain all the elements of a program for the Germany of 10 or 15 years hence, when the occupation ceases. From then on begins our time of danger, not today. If we reject the thesis of allowing Germany to starve down to a purely agricultural basis, we must put something else in its place.

Here are some of the essential points of a more affirmative policy.

While we have rushed to settle Germany's eastern boundaries, we are doing little about the even more vital western boundaries, leaving a condition of continuing uncertainty in the very heart of Western Europe. We should not be surprised at a perfectly natural French indignation that we should have given the great coal and industrial area of Silesia to the Poles and appear to be unwilling to sit down and study with France and our other Allies, some settlement of the Ruhr problem. With Silesia on the one hand and the Ruhr on the other under continuing non-German supervision and control we will have gone two-thirds of the way toward the demilitarization of Germany. It is hard to conceive of Germany waging aggressive warfare if deprived of the control of these areas. The Ruhr is a German asset which is impressed with a truly European interest. Let us study it on this basis and this may help to furnish a clue to the solution of the Rhineland problem.

De-Nazification

So far we have arrested over 100,000 Nazis according to fixed and somewhat arbitrary rules fixing automatic arrest categories. General Eisenhower's recent statement on our occupation forces indicates that the over-all total of arrests may reach 500,000 in the American zone alone. We find ourselves in the concentration camp business on a large scale. I believe in exemplary punishment for the Nazis. I do not believe in keeping vast numbers of people in concentration camps, housed, fed and guarded at our expense for an indefinite period without trial and then some 5 or 10 years hence dump them back as a subversive element on the German social structure. When the Nurnberg trials have fixed the principles of justice, let us apply those principles to the Nazis whom we have arrested according to the evidence in each case as a political act and as expeditiously as possible. We have no machinery to try half a million people or even a hundred thousand people.

Reorganization of German Political Life

We should work towards a decentralized German government and build up the local state and municipal governments. I am glad to see we are proceeding with municipal elections as we must build politically from the ground up, not from the top down.

Germany should be de-Bismarckized and de-Prussianized. Rather than create a central government it would be better to start with a central committee of representatives from the states or subdivisions of the four occupation zones (excluding the Polish zone). Such a committee under Allied military supervision could deal with matters of common concern, such as transportation, commerce, currency and the like.

We should not be disturbed at, in fact we should welcome, a liberal and leftist-oriented Germany. Here and in the labor unions we are likely to find the sturdiest anti-Nazi elements.

While the church, both Protestant and Catholic, may wisely decide to stay out of German politics, the rebuilding of church life will be a further bulwark against Nazi philosophy.

Berlin should be eliminated as the German capital and in its semi-destroyed state left as a monument to Frederick the Great, Bismarck, the Kaiser and Hitler. Berlin is really the capital of Prussia, it was never geographically or culturally the capital of Germany. After the German democratic revolution in 1848, when the attempt was made to create a democratic confederation, the delegates convened in Frankfurt and the German democrats, many of whom emigrated to this country, favored Frankfurt as the German capital. Possibly Frankfurt is not eligible as the Russians might quite naturally insist that the capital remain in their zone, but Leipzig or some city in this neighborhood is a possibility.

Continued unemployment is one of the greatest dangers we face in Germany. A man out of work is a danger in any society. Without some imports of raw materials it is difficult to see how German industry can continue to provide work for the unemployed and this is an issue we and our Allies will now have to face. The circle is a vicious one. Some industry is essential to export. Export alone can provide the foreign exchange for the necessary imports of food and additional raw material. How to break this circle is one of the most difficult problems Germany will face over the next five years. Without some imports of food and raw materials over these years there seems no alternative to widespread starvation and unemployment, political unrest and possibly the seeds of a philosophy as dangerous as Nazi-ism.

The Refugee Problem

With millions of refugees coming from the east and Czechoslovakia this problem is probably too big to be added to the other problems of UNRRA. Some machinery should be set up to get at the basic facts of the numbers involved and to direct the flow to the areas where they can best be cared for. In the Potsdam Agreement we have assumed the basic responsibility for the transfers of millions of people. They present a serious danger to the political life of Germany as they will bring with them bitterness, starvation and disease.

Our Occupation Force

No military occupation long continued and after the military objectives were achieved has ever brought anything but hatred, bitterness and desire for revenge. All occupations must end some day and the danger period comes upon the termination of occupation. Obviously we cannot end the occupation in the near future but as soon as possible we should transform present occupation forces into small mobile units, with adequate aircraft. We should remove as much as possibie of our occupation forces from the great centers of population to avoid the dual dangers of fraternization and acts of violence, which are inevitable in a country in the desperate condition of Germany today.

When the collapse came the Germans were inclined to blame their troubles on Hitler and the Nazis. Now as they see our military personnel in complete control without our having adequate administrative or military personnel to cover the whole area thoroughly and efficiently, they tend to shift the blame to us and this tendency is ever increasing. Let us maintain the striking force to act where the Germans fail. Let us accelerate the present effort to put administrative responsibility for their troubles on their own shoulders. We should shift this responsibility while we are still present with an occupation force. It would be disastrous if we should pull out before we have had some years of trial of Germany under German administration and under their own leaders.

Germany today is a leaderless mass of disillusioned, semi-embittered, cold and hungry people. They must and should suffer rigorously for their sins, but unless we give them some hope for the future and place on them the responsibility to pull themselves out of the chaos they have brought, we will have the German problem on our hands for generations and the need for occupation will never end.

Conclusion

The future of any state lies with its citizens and with the leaders to whom they entrust power. Germany of today is the product of Hitler and his criminal gang. Germany of the future will depend upon the men who may emerge out of the present chaos. Germany has been gutted of leaders with democratic principles. German concentration camps killed hundreds of thousands of Germans as well as other nationalities. Many others took refuge abroad and have no intention of returning. After the July 20th putsch Hitler liquidated the great majority of the remaining Germans of anti-Nazi convictions of the calibre to hold government positions in a free Germany. German problems in the field of economics, of food supply, employment, refugee resettlement and the like are vastly difficult. Their lack of leaders of opinion and administrators of government is even more serious. While we should continue our present policy of shifting responsibility for administration onto German shoulders in order to find out by trial and error what Germans may be qualified for leadership, we cannot with safety completely terminate our present occupation and our right to exercise control until we have found leaders to whom we can safely entrust the Germany of the future.

Halsey Stuart Group Offers C. & N. W. Equipments

Halsey, Stuart & Co., Inc. headed a group that won the award of $6,870,000 Chicago and North Western Railway equipment trust of 1946 1⅝% Equipment trust certificates, maturing $458,000 annually Feb. 1, 1947 to 1961, inclusive. Re-offering of the certificates, subject to Interstate Commerce Commission authorization, is being made at prices to yield 0.85% to 1.75%, according to maturity.

The certificates, to be issued under the Philadelphia plan, will be unconditionally guaranteed as to par value and dividends by Chicago and North Western Railway. They are being issued to provide not in excess of 75% of the cost of new standard gauge railroad equipment estimated to cost approximately $9,176,000 and consisting of flat cars, box cars, gondola cars, and Diesel switching, passenger and freight locomotives.

Paul Jones, Jr., in Phila. Office of Van Alstyne, Noel

PHILADELPHIA, PA. — Van Alstyne, Noel & Co., members New York Stock Exchange, announces that Paul Jones, Jr. has become associated with them in their Philadelphia office, 1500 Walnut Street. He was formerly with Montgomery, Scott & Co.

Purchasing Power and Income in Postwar Market

(Continued from page 374)

my own skepticisms on some of these points, but I am not concerned about them today. All measurements are imperfect, and because this one is my subject, I will try to demonstrate its uses in the form of a symposium of 9 or 10 responsible forecasts that I have had to use in other work.

Forecasting can be one of the gayest of sports, but only if taken in judicious doses. It should be compounded of just the right amount of excitement from gambling on the unknown, and just the right amount of skepticism because of what happened to the last prophet you heard. Just think. What would happen if the truth could really be known. Everyone would want to buy at the same time and sell at the same time, business would vibrate like a tuning fork, and a really alert business man would be going around half the time with a bloody nose from running into himself.

At the very outset of our adventure we are taken by surprise. Events are not unfolding in quite the way some of the wise men assured us before V-J day that they would unfold. There was to be a critical period of reaction from the high levels of war production and employment. The disappearance of military orders would leave a void across which makeshift bridges would have to be thrown by a frantic government. The huge output of industrial plant and equipment during the war would hold postwar investment activity to a low level. The public might be so proud of its new-found ability to save that it would continue to do so, thus reducing expenditures for consumption. Many industrial materials and tools would be a glut on the market. War workers would be released by the millions, soldiers would come flocking home, the spectre of unemployment would stalk through the land, and the only real boom would be in good corner locations for apple selling. These views were held. As stated they are extreme, but rather generally an awkward break was expected in our economic momentum. War controls were accordingly lifted right and left, both to signalize good faith and to remove all possible bars to enterprise. WPB has shrunk to a shadow of its former self in CPA (in the process jettisoning even L-41, the famous control over construction); now a new version of it has had to be restored; the excess profits tax is crowding the whang-doodle bird for comfortable quarters in oblivion; the carry-over privilege in the tax laws has been extended through the end of 1946; wages were at least theoreticaly left free to find their own levels through collective bargaining; programs for extraordinary unemployment relief payments were pressed energetically; and Federal, State and local public works programs were dusted off in preparation for a thrilling rescue act.

But here we are, still seeking to buy a host of perfectly ordinary materials, commodities, and tools, hi-jacking bricks of all things, trying to hire men, paying premiums for a cot in the attic or an archaic pullman chair, bidding for stocks, attempting to cover forward inventory requirements. At the end of the year department store sales were running 10 to 12% above good old 1944, and unemployment was well below even its practical minimum of 3 millions. In fact, strikes seem to represent the only serious threat to continued high activity. And while they will reduce current income, there is no guarantee that they will stop spending, due to our immense stocks of liquid assets.

We are embarrassed by paradoxes. The President showed proper distress over a prospective decline of $40 billion in the value of national output, and of $20 billion in annual wage and salary payments in private industry, and pled for wage increases to sustain consumption. At the very same time other authorities jubilated over the ability of the Victory loan, if properly supported by a clear-headed public, to mop up the "excess purchasing power of individuals" that threatened all we held sacred with an inflationary debacle. In fairness I must say that the inconsistency is not absolute. It is possible for some men to be broke and others flush at the same time. But the appearance of inconsistency is useful in highlighting the complexities of transition. It is true that we may lose from $30 to $40 billions of production in 1946. But much of it consisted of war-created, high-cost and overtime business, while offsetting this dollar decline will be a substantial voluntary disappearance of war workers from the labor market, the elimination of overtime and extra shifts, assignment of obsolete facilities to stand-by status, and a reduction in the system's potential ouput.

Is it possible for these thrashing waters to settle into a strong current? If so, in which direction will it run? We can seek the answer in two places. We can attempt to find parallels from World War I, or we can forget and try to distinguish the major forces underlying the present situation.

What happened after World War I? It is well known that prices rose sensationally from March 1919 to June 1920 and fell as abruptly during the following twelve months; and that John Public suffered on the upswing due to a sharp decline in the purchasing power of his wages (large as they were), and on the downswing through a catastrophic destruction of values, through bankruptcies, and through unemployment. These disasters followed a war. We have just now concluded a war. Therefore, we are due to repeat unless we take heroic steps to save ourselves. But wait a minute. Agreement is not complete. Therefore, analysis turns to causes, and argument waxes hot over whether each of the old causes is now operative, and in the same degree. Civilian needs had accumulated during the first war, as had liquid assets. So have they now. Capacity was expanded during both wars, and proved partly useful and partly useless after each. Consumers battled for goods, business for inventories. A flood of foreign loans, Government and private, through both bond flotations and open credits, pyramided the demand for goods that were never there. Transportation broke under the load. Wages tore after the cost of living, but never caught up, and were supplemented by installment credits. The few price and distribution controls established during the war were thrown away in a magnificent gesture of confidence in the infallibility of free enterprise under any and all conditions. There we are, but where are we?

It can be, and has been, argued vigorously both that history is ready to repeat itself in each one of these respects, and that this time the circumstances are such that adjustment will be smooth and painless.

If we endeavored to explore each factor, which obviously we cannot do tonight, we should find that we were wrestling with images more than exact forces. To my knowledge, few thoroughgoing attempts have been made to develop a "true" picture of demand after World War I. We have data on actual shipments and production, of course, but no way of knowing how far they may have fallen short of satisfying demand. It is true that we have a historial record of clamor, and descriptive evidence from trade journals, but still no systematic statistical measure of the real stresses and strains marking the period. It could be done no doubt. It is not completely beyond the reach of analyses. But the alarmist references to which we have become accustomed are not really measurements of overall demand in relation to the economy's productive capacity. Our views about 1919 are based in part upon actual records of what happened, and partly upon superstition about the aftermath of war as as economic disturbance. The superstition grows out of the fact that after almost every war we have had extravagant and costly price inflation.

We are able to say then that an increase in prices occurred indicating an excess of demand over capacity. But we cannot be sure that the amount of price rise was a measure of the excess. In 1919 inflation may have been higher than was justified by the facts. The effects of original shortages were compounded by the mass response to them. Such movements are implicitly made up of two parts—actual shortages and public alarm over them. Heavy orders books for the future stimulate near-term demand which magnifies the original emphasis. Both consumers and business men try to convert their money into merchandise while it is still good. It does not follow of course that in the absence of the second wave a substantial inflation could not have occurred. Demand pressing on supply will usually lead to higher prices.

If we must compare images in two worlds a quarter of a century apart, some things are obvious. There was not as much deferred demand in 1919 as now. Liquid assets were not nearly as high as a proportion of the current level of national activity. Today's demands represent pressing public necessities to a greater extent. The bulk of today's savings have been kept in more liquid form. On the other hand those arguing for rapid de-control, may believe that because of the greater plant expansion in this war than the last, *demand in relation to capacity* is less pressing now than then; that business men are now wiser, and will now buy for today's needs only, however obvious the dearth of goods; that this time competition will hold prices down; that today transportation is in much better shape.

In short not a great deal of close work has been done on relationship of 1919 demand to capacity. What one finds in the literature is primarily analysis of the cyclical movement—sequence of events — how prices moved—how production moved — where the brake started to grip. But much of it is based on mere observations of what happened, not complete or fully tested.

If a conclusion at this point is expected, it will be given in the same vein. The expectation of a recurrence of the 1919 violence is not at all irrational, it does have a base. Upon that base public fear can again build a superstructure of new and swelling demand, eventually getting out of control. A man cannot obtain a wanted piece of merchandise in January, or hears that he will not be able to do so in April, so he tries to buy forward. Mass behavior is our problem, as well as statistics. It certainly *can* happen again, with or without price control. It is an open question whether price controls can in the end be wholly effective without the aid of fiscal controls, such as a more responsive tax system or new savings campaigns. But if price controls are retained and people retain confidence that they will remain reasonably effective, they can have at least a dampening effect on tendencies to stampede.

Now let us leave off mysticizing about the past and see what the evidence in our own time is trying to tell us. I have had the privilege recently of examining in confidence a great many private and public estimates of the outlook for American business over the next year and a half. They are usually expressed in terms of Gross National Product, for which in your own daily work you may not have much use but which is one of the technical measures of national activity that has wide acceptance. I'll not trouble you with all of its complications. This is a social hour and for our present purposes we will regard it merely as a great multi-colored ball bouncing over the years, sometimes high, sometimes low. The colors can be taken to represent segments of national activity, red for Government expenditures, or output, or sales (seeing that we are still running deficits), blue for private capital formation (which includes industrial plant and equipment, residential housing, net exports and net additions to business inventories), and orange for consumer expenditures. Let me emphasize this, because we're going to need it. Consumer expenditures are heavily influenced by total activity or GNP, as I'm going to call it for short. Government and capital outlays are usually regarded as influencing the total more than they are influenced by it. There is little use talking about whether business is going to be good in the abstract. As an apparently solid and know-it-all big figure GNP is a fraud, a dummy big shot. The real works are comprised of countless little figures tearing around furiously inside it, interacting continuously with each other. What GNP is to be will be determined in turn by what happens within the three major segments I have mentioned.

Red Segment: What will the Federal Government do? It doesn't have as much coice as usual. It has to liquidate a war. At the peak of the war it was spending nearly $100 billion a year. By the end of 1946 it was down to a rate of $30 billions. Let us put it arbitrarily at $21 or $22 billion for fiscal 1947, and add $10 billion for State and local governments. This latter guess is roughly 25% above the 1945 State and local war diet although 20% lower than 1940 as a first large step toward making up arrears. So we may put down around $32 billion for Government.

Blue Segment: What will business do? This picture is rather confused. Producer's plant and equipment are in considerable part a cause rather than a result of GNP. But still if one wants to try a rough approximation he can by looking at the record find that capital outlays rise at a faster rate than total activity and that from depression 1933 to 1941 their share of the total rose from 5.5% to 9.4%. If we were to operate at approximate capacity in fiscal 1947 and assumed a ratio of 10%, we might be able to put down as much as $17 billion for capital outlays. That is pure experiment. My tea leaves say that it is high. Industry has a great deal of deferred maintenance to catch up with, it is true, but it can use a great proportion of its own new war plan (e.g. steel and utilities) and has vast Government surpluses from which to fill some of its other needs. Recent surveys for fiscal 1946 give us more clues. As an essential industry railroads enjoyed a preferred position during the war and now apparently are planning to make new investments at somewhat less than their 1929 ratio to total national sales. The Department of Commerce found that a similar ratio for a selected sample of manufacturing concerns will likewise fall below that of 1929. A joint survey by the Federal Power Commission and the Department of Commerce put the same ratio for gas and electric utilities at scarcely two-fifths of the 1929 level. A personal inquiry by Professor Sumner Slichter of Harvard suggests that managements in a number of assorted fields expect to spend one and three-quarters times their pre-war depreciation allowances, on the average, during the first postwar year. This is good but it is not sensational, and since a large part of the most pressing needs should be met during calendar 1946, fiscal 1947 should not be much higher.

Suppose, therefore, that we estimate producer's capital outlays at $15.5 billion instead of $17 billion.

Residential housing likewise is in our blue network. As to demand, one can only mention a dizzy figure and duck. As to supply, how fast can material, labor and equipment bottlenecks be widened? Let's hope that we can manage $3 billion worth of housing for weary bell-ringers during our selected year.

The export market is ours while the world remains prostrate. Foreign holdings of gold and dollar exchange are in some quarters large. Relief and stabilization loans are being negotiated. A $3 billion guess for net exports (i.e. in excess of imports) is probably low.

Stock replenishment will take a long time but may be concentrated in the first year. The principal offseting consideration is again Government surpluses. Net additions to inventory may be placed at another $3 billion.

For the blue band, capital formation, then, we have a total of $3 billion each for housing, net exports, and net additions to inventory, plus $15.5 billion for new plant and equipment, or a total of $24.5 billion.

Now for the big orange. How much will consumers spend? They want a lot. Much but not all of what they want they will obtain. It will come to a great deal of money. Will it be sufficient to tax the economy's production potential?

Let us attempt a rough estimate of that potential. For this purpose I am going to borrow from Professor Sumner Slichter of Harvard, in the symposium of the 20th Century Fund entitled "Financing American Prosperity." By fiscal 1947, the labor force should number about 60 million workers (not 60 million jobs). That figure is taken by adjusting the census forecast of the "normal" 1947 force for war casualties and a residue of war workers. Subtracting a 3 million labor float necessary to mobility, leaves 57 million jobs including members of the Armed Forces. Assume that the rate of increase in non-agricultural output per worker has lessened during the war, which is surely the case, and allow only half of the normally expected increase since 1940, or about 10%. Assume the number of straight-time working hours per week to be slightly higher than 1940 because of steadier employment. Assume prices to have dropped slightly by 1947 below the 1945 peaks. On these premises, the country can produce about $178 billions worth of goods and services by 1947.

Now the amount of money people can spend normally depends on the sum of wages, salaries, dividend and interest payments, and unemployment and relief benefits, less personal taxes. What is left is called disposable income. With national product at $178 billions and—*assumnig just for a moment* that we operate at capacity—1946 tax rates, disposable income should be around $133 billions. What proportion of such a total may individuals be expected to spend on consumption?

Now, we can't add doll houses, and hair combs and chewing gum and pins. We're stuck. So what

do we do? We experiment with past relationships of spending income at different levels.

Normally, people will spend between 80% and 90% of disposable income, the percentage falling as income rises, and with other variations resulting from changes in the distribution of income and tax patterns. At the assumed level, historical experience would suggest a consumption-income ratio approximating .85. Expenditures at this rate would bring the unprecedented figure of over $113 billions to market.

What about the famous backlog of accumulated needs? It seems likely to render this calculation inaccurate. Consider the automobile outlook for example. (1) Millions of cars are required to restore 1941 registrations alone. (2) More to bring back the same number per capita of a larger population. (3) Millions more to make the average car as new as it once was. The bulk of these groups classify as "deferred." Not all of it can be superimposed upon our hypothetical "normal," since the two tend to merge at very high levels of activity, become the same demand, but the deferrals have been so substantial that it seems clear the merger is not complete. Is there any basis for judging whether this is the case? And if so, to what *additional* expenditures may deferred needs give rise?

This amounts to asking whether we can find any historical relationship, like the relationship of "normal" consumers' expenditures to disposable income, which will provide a measure of the possible *increase*. I'm going to tell you now that at the minimum it should be about $8 billion, and then explain why.

You have been told over and over again about our wartime accumulation of liquid assets. There is a reason for their existence. Except in deficit periods, the savings in excess of the amount necessary to support current business transactions tend to equal investment in plant, equipment, and inventories. But during the war, deficit financing knocked this balance haywire. Toward the end of 1944, when GNP had risen to roughly $200 billions, the liquid assets held by individuals and business corresponding *historically* to that level would have been only $110 billions. They are now probably twice that much, or around $220 billions. There they stand. Will they choke us, or give us wings? (Some day we shall know what role they played in the peculiar transition period. We shall know whether they were merely a dead weight in the economic body or an over-active gland, for by that time the indigestion or elephantiasis, whichever results, will be over.)

Now mark this strategic point. All through the decade of the "thirties" gross national product and liquid assets moved together. When one went down, the other went down, and vice versa. Now suddenly, as a consequence of the heavy deficit financing of wartime, liquid assets have bounced to more than twice their previous level in relation to GNP. Before we are through, I hope, we shall have given a tentative answer to a question that is keeping students awake nights: Is the affinity so strong that liquid assets will pull national activity up toward its own dizzy level, or will the reverse happen, or will the two dissolve a beautiful friendship and hereafter go different ways?

Technically there are several possibilities. First, the assets might be held idle indefinitely. Or currency and bank deposits might be spent and the money used by recipients to cancel debts. This would check inflationary tendencies, but it can't happen on a very big scale because debts have already been reduced. Or the business concerns who received the money might add it to their existing balances, or transfer it to others wishing to keep it idle.

In this case, business turnover would be accelerated, but the movement would be held within rather narrow limits, its actual extent depending upon the rate, magnitude, and duration of the rise in turnover. Finally, the community as a whole might be unwilling to maintain its stock of liquid assets anywhere near present levels at the current level of GNP. Should this prove to be the case, we could expect a rather rapid and sustained rise in employment, incomes, prices, outlays for consumption and investment, and probably in production, with prospects of a severe inflation.

I have already deplored loose references to the 1919 experience on the ground that we had no factual evidence of the true relationship of demand to capacity in that period. We do know, however, what happened to the relationship between liquid assets and GNP.

After the war the volume of liquid assets continued to move with GNP, but at the higher level to which they jumped in the latter part of 1918 and in 1919. The inference is that liquid assets generated by large deficits—which is what we have now—tend to be held in that form for sometime thereafter. This in turn points to the third and fourth possibilities outlined above as more likely to be realized. In either case, consumption-income ratio is almost certain to be raised above its hitherto prevailing level.

By how much? On this point, too, World War I experience affords some basis for generalization. A recent study of the Department of Commerce indicates that, in the period immediately following the Armistice, consumers' expenditures accompanying a given disposable income rose by some $5 billions per annum above the level obtaining in the period, 1910-1919. Even making extreme allowances for certain technical criticisms which may be made of the Commerce analysis, there remains strong evidence that the jump was between $2 billions and $3 billions. It seems clear that this rise reflected primarily the accumulation of deferred needs and a feeling of greater security because of the very existence of liquid assets, which led individuals to spend a larger proportion of current income. And since at present the proportion of "excessive" liquid assets to GNP is between three and four times as large as in 1919 and 1920, it is perhaps not unjustifiable to expect the increase for fiscal 1947 to fall somewhere between $8 billions, and, say, $18 billions.

It is never safe to look at these broad statistical relationships alone, but in this instance the conclusions which they suggest are supported by a number of qualitative considerations. You know them as well as I. Today, because of the prolonged dearth of goods, deferred needs represent pressing physical necessities to a much greater extent than at the end of World War I. Again, a larger proportion of individuals' World War II savings seems to have been kept in liquid form. Moreover, of the additions to liquid assets during the war, some two-thirds appear to be held by persons having incomes of $5,000 or less. These people spend more of their income. And finally, our living habits have become more indulgent. As other analysts have noted, there has been a huge extension of vacations with pay, for example, and revolutionary changes in methods of transportation. Gorgeous things will be coming out of war techniques. There is certainly nothing in these developments to discourage the trend towards a larger expenditure per dollar of disposable income in the period immediately ahead.

It remains true, of course, that these considerations are still speculative. But in view of their weight, it would seem very conservative to assume that "abnormal" expenditures will reach at least $8 billions, the lower limit indicated above. At any rate, such a result does not seem much to expect from a rise of over $100 billions in "excessive" liquid assets during the war, considering the influence a much smaller proportionate increase seemed to exert after the last war.

Summarizing, therefore, it would not seem at all unreasonable to anticipate postwar spending in fiscal 1947 as follows: Government, $32 billions; private gross capital formation, roughly $25 billions, and "abnormal" consumption outlays $8 billions, and—since the sum of (1) these expenditures and (2) those which, as we have seen, would ordinarily be made at a GNP of $178 billions will support a GNP of that order—"normal" consumers' expenditures of $113 billions. The total of $178 billion is roughly 84% above the 1940 level of $97 billions.

Now of course allowance has to be made for a price rise of about 33% to determine the true amount of the increase, but even so the jump is huge. By way of anti-climax, the figures actually used here have assumed a little bit of settling in prices. If we threw off all controls and cut our fiscal policies loose from economic considerations we might have a much higher GNP in current dollars. It would probably be made up in part of a still larger amount of physical production, but more particularly by a great watering of prices. Such a result historians would call inflation and would probably write books about it under the title, "How Best to Cause Slumps and Impair Faith in a Capitalistic System."

There may even be faint traces of rationalization in our present attitude toward controls. It will be a sad day when the muscles of our people do not flex instinctively against bonds, necessary or unnecessary, but this sign of political health cannot in itself solve the problem of adjustment to a new economic period. Our very eagerness to return to open competition causes most of us to focus on the perfectly good arguments supporting such a policy. We could hardly avoid it. Who would have thought, from an observation post in the debris of 1921, that after another war America could ever wheedle itself into thinking that inflation wouldn't happen again. But in some moods we are doing that. We crave to be relieved entirely of controls, to be turned back unreservedly to profit incentives, to move far away from the irritations and mistakes of administration. With some reason, we begin to doubt the validity of the 1919-21 and other postwar experiences as precedents. Not so much now, perhaps, since prices have so far skyrocketed on many of the products on which controls have been lifted, but we can't help the yearning. Nor do we have to refrain from pressing for adjustments in prices and price policies that are better adapted to postwar needs. For the moment, I am concerned only with our tendency to slip from irritation over details into a frontal attack on the purposes of control itself.

In conclusion it is not always from impressive looking mathematical formulas, nor wells of deep learning, nor a sudden piercing vision of the truth that we seek to end all controls while shortages are still acute. With most of us it is because that is the way we feel. But the war problems are still with us. Most of them haven't changed much. We have the oddest difficulty in recognizing points of similarity in physical and economic experience. In a time of flood, police and fire departments take charge. Maybe there is a little looting at night, maybe a little water damage, but in the main we keep our furniture, including the old hall-rack complete with elk's head that Aunt Miranda sent us as a wedding present 32 years ago. If we are lucky the damage may be no greater in the inflationary flood with which we are now threatened. The value of some of the more gilt-edged stuff may be slightly impaired when it is over, just as your paid-up insurance policy or annuity is for the moment worth only about 75% of what you paid for it. This is not catastrophic as of any given moment as relations between stable and moving values are always in flux.

The principal ambition of most business men is to retire from business sooner or later. This ambition serves very nicely to focus the present issue, in public policy, if exaggerations are pardoned. There are still two ways to retire and each is affected by inflation and timing, although in different ways. You can retire by saving money over time, or by making a lot of it in a hurry if you quit at the right time. Witness: (1) Thanks to the police work on prices, and on fiscal policies, and in restricting the use and demand for short materials until the war's effects could wear off a bit—which I don't think many of us resented during the war—the cheapening of money has been far less than in the last war. Maybe there is still enough income left to retire on, even at today's interest rates and today's prices. So presently you retire (2) Booms are times when aggressive operators are supposed to make money. Even a killing is legitimate ambition. This may be the looked-for year when the harvest will be sufficiently big and golden to permit Cadwallader and Joe to join Stuyvesant and Harry in a well deserved rest. Take off the price, money and materials controls and let's go. A few can make it by welcoming inflation instead of fighting it, although a very few. It takes a miracle of luck and judgment to get out at exactly the right time. But the change is available if the current pressures turn out to be heavily inflationary and controls are junked.

There is no certainty about any of this business. I want to make it perfectly clear that some of the country's best known economists, even though they are a minority, believe that if we threw off all restraints, natural forces would somehow or other pull us through. Personally, on the basis of the kind of evidence I have been discussing, I don't see how. It must be granted that this is a matter of judgment and that too tight a control, coupled with strikes and a generally slow settling process, could conceivably throw the country into a reverse spin for a while. Most of the signs to my thinking run the other way, and I guess that the only significance in what I am saying is that I am putting my coin on the anti-inflation policy, for at least the next few months. Economic forecasting is partly gambling anyway, and partly a matter of clinging to sanity amidst a riot of good and bad ideas. The important thing, probably, is to avoid the disappointments and mistakes that come from expecting certainties.

Herbert S. Wolff Opens

SOUTH BEND, IND. — Herbert S. Wolff has opened offices in the J. M. S. Building to engage in a securities business under the name of Herbert S. Wolff Securities Company. Mr. Wolff in the past was an officer of the Albert McGann Securities Co., Inc. of South Bend.

Craig With Cohu Torrey

LAKELAND, FLA.—George O. Craig has joined the staff of Cohu & Torrey. In the past he conducted his own investment business in Lakeland.

Columbia Pictures Pfd. Offered at $103 a Share

An underwriting group headed by Hemphill, Noyes & Co. and Hallgarten & Co. is making a public offering today (Jan. 24) of 75,000 shares of $4.25 cumulative preferred stock (no par) of Columbia Pictures Corp. at $103 a share. Each preferred stock certificate will be accompanied by a non-detachable warrant to purchase an equal number of shares of common stock at $30 a share up to Jan. 15, 1952.

Net proceeds will be used to redeem at $53 a share plus accrued dividends all outstanding shares of $2.75 convertible preferred stock, to increase working capital of the Corporation, and for improvement of studio facilities. The new preferred stock will be redeemable at prices ranging from $108 to $103 a share. For the sinking fund, redemption prices range from $106 to $103 a share.

Terms of the new preferred stock issue include provisions for mandatory annual sinking fund installments of 15% of consolidated net income for the preceding fiscal year over $900,000 and up to $1,900,000, plus 10% of consolidated net income over $1,900,000, but not exceeding $225,000 total sinking fund installment for any fiscal year. The mandatory sinking fund installment for the fiscal year ending June 30, 1946 will be one-half of the amount so computed.

Capitalization of the Corporation after the present financing will consist of $5,400,000 bank loans, the 75,000 shares of preferred stock now being offered and 595,447 shares of no par common stock.

Three Resume Duties At First of Michigan

DETROIT, MICH. — Fred H. Alliston has resumed his duties as treasurer of the First of Michigan Corporation, Buhl Building; Ervin LaRowe has been appointed manager of the corporation statistical department; and Theodore Fritncke has returned to the cashier's department, it was recently announced.

All three have been with the armed forces; Alliston with the 102nd Infantry Division in Belgium, Holland, France and Germany; LaRowe, Major and executive officer of Office Procurement Service and, later, chief of Analysis and Selection Branch Military Personnel Division ASF; Fricke in Africa, Sicily, Italy and France, where he won promotion to captain after having enlisted as private.

All served the First of Michigan previously.

FIC Banks Place Debs.

A successful offering of an issue of debentures for the Federal Intermediate Credit Banks was made Jan. 16 by Charles R. Dunn, New York, fiscal agent for the banks. The financing consisted of $30,645,000 7/8% consolidated debentures dated Feb. 1, 1946, and due Nov. 1, 1946. The issue was placed at par. Of the proceeds $29,900,000 will be used to retire a like amount of debentures maturing Feb. 1, 1946 and $745,000 is new money. As of Feb. 1, 1946, the total amount of debentures outstanding will amount to $243,105,000.

Elwell With Bradley Co.

NEW HAVEN, CONN.—Charles C. Elwell, Jr. has become associated with Edward M. Bradley & Co., Inc., 215 Church Street, members of the Boston Stock Exchange. In the past he was a partner in Elwell & Manross.

The Challenge of Human Engineering

(Continued from page 377)

in itself, but a means to an end. It is a tool.

In war, mass-production is a tool for making the weapons of war—as many as possible, as fast as possible. We used the tool better than other nation because we had more practice with it and because we were better equipped to use it efficiently.

The Importance of "Labor Costs"

In peace-time the use of the tool of mass-production thrives best in a highly competitive democratic economy. For mass-production is a tool which free people use in peace-time to make *more and better* products at less and less cost. It is a tool for *raising the standard of living.*

All of us would agree that a standard of living is not a question of money, but of *things* and *opportunities*. People are prosperous and enjoy a high standard of living, when great numbers of them can afford a *great many things and services*—refrigerators, automobiles, radios, homes, good food, education, recreation, and all the rest. Through the peacetime use of the tool of mass-production, American industry has already made this country a land with an incomparably high standard of living.

And the use to which we can put mass-production to bring millions of things and opportunities within the price range of millions of people has in no way reached its limit. It is obvious, for example, how much better off we would be in this country if it were possible to sell automobiles for half their prewar prices. Millions of people who never owned a car could have one. Families which have one could have two. Tens of thousands of private enterprises serving the automobile industry and the people who drive automobiles would benefit, and would expand. Cut the cost of refrigerators in half, cut the cost of radios in half, cut the cost of homes, clothing and other manufactured articles in half, and the people of America would find themselves vastly better off.

We continually talk about higher incomes, and higher wages, and more money. That is all right. A man should be ambitious. He *should* try to increase hsi income. But in our discussion of higher incomes, we must never lose sight of the universal advantages of *lower costs*—of more and better products brought within the budget of more and more people.

In the face of what peace-time mass production has already accomplished in raising our standard of living, in the face of current world praise of American industry's ability to produce great quantities of things in a short space of time, we may be tempted to think that the potentialities of mass-production have been exhausted—that we have come to the end of this road to national well-being. Such a notion is absurd. The mechanics of mass-production can still be greatly improved, and they can be more widely adapted.

The Field of Human Engineering

But there is a whole vast area in which we are only beginning to make significant progress—what we might call the field of h u m a n engineering. Machines alone do not give us mass-production. Mass production is achieved by both machines *and* men. And while we have gone a very long way toward perfecting our mechanical operations we have not successfully written into our equations whatever complex factor represents Man, the human element.

I am suggesting, therefore, that we try to rewrite the equations to take into account the human factor. If we can solve the problem of human relations in industrial production, I believe we can make as much progress toward lower costs during the next 10 years as we made during the past quarter century through the development of the machinery of mass production.

In approaching the complex problems of human relations, I believe that management must take the initiative for developing the relationships between labor and management. Labor has a great opportunity to achieve stature through assuming greater responsibility. But I consider that management is in charge, that management must manage, and that the test of management is whether or not it succeeds.

Mass production did not invent the human equation—but it did alter it in a number of important respects which we may have been slow in taking into account. Under mass production large numbers of people flocked to the assembly line, each to perform a highly specialized routine duty. Mass production produced great concentrations of people—and a problem of communicating with them. And it produced the difficult problem of specialization, where the human being loses sight of the social usefulness of what he does.

Losses Due to Strikes

How badly we have taken the human factor into account is indicated by many statistics. The Department of Labor shows that a total of 216,000,000 man-days were lost between 1927 and 1941 as a result of strikes alone.

I am not here concerned with the justice of these strikes or their injustice. I am saying that some 216,000,000 man-days of work were lost. This idleness was expensive—to the strikers, to the companies and to the nation. And that cost was part of the nation's cost of production. Consider how many thousands of automobiles, radios, refrigerators and other useful and needed products could have been manufactured with 216,000,000 man-days of labor. Or, to put it in another way, consider how much lower would have been the cost of the things that *were* manufactured if production had not had to absorb the expense of these work-stoppages. Furthermore, when a production line stops, the jobs and purchasing power of hundreds of thousands of people in related businesses all over the country are affected.

We must remember, too, that strikes are by no means the only measure of lost time. That loss, indeed, is only a fraction of the time lost through industrial inefficiency and through mass unemployment. We are all aware of the fact that the man-days lost through unemployment during the same years—1927 to 1941—were of tremendous proportions.

War Productivity of Worker

Costs are also closely related to the productivity of the individual American worker. We take pride in this productivity, and as a matter of fact we in America cannot compete in world markets with our high wage rates if the American worker does not continue to be productive.

Recent statistics on productivity are confusing because of the factor of war. War necessarily brought into industry a great many less experienced men and women. The armed forces took away a great many skilled workers.

Other pre-war mass production industries have found, as have we at Ford Motor Company, that even after allowance for these unusual circumstances the recent record of productivity is not encouraging. We keep detailed records of the time it takes to perform various operations. Those I am about to cite are in every way comparable—that is, the operations have not been changed so that more time should be allocated to their performance. Let me give you the number of minutes required in December, 1940, compared to July, 1945, to perform certain operations.

One group of operations which took 93 minutes in 1940 took 128 minutes five years later. Another group whcih took 1,188 minutes in 1940, took, five years later, a total of 1,943 minutes to perform. A third group took 28 minutes in 1940 and 49 minutes five years later.

On the whole, productivity per worker in our plants declined more than 34% during the war period.

I have already pointed out that some of this was inevitable, a result of the war, and I should like to say that I am emphasizing these figures merely to demonstrate how great is the need for improvement in this field.

Needed: Closer Understanding Between Management and Labor

As we look at these problems in human relations, we feel that the solution must be found through a closer understanding between management and labor. If we cannot succeed by cooperation, it doesn't seem likely that we can succeed by any exercise of force. We cannot, for example, expect legislation to solve our problems. Laws which seek to force large groups of Americans to do what they believe is unfair and against their best interests are not likely to succeed. In fact, such legislation can lead to exaggeration of the very problem it is designed to solve. And when free men give up the task of trying to get along with each other, and pass the buck to Government, they surrender a substantial measure of their freedom.

That, then, is the problem I wanted to lay before you this evening. Let me summarize by stating it more briefly: In a free, competitive D e m o c r a c y, mass production is a tool for raising the standard of living by *reducing costs* and thereby bringing more and better products within the budgets of more and more people. We have not yet solved the problems of mass production, for our failure in human engineering is creating waste and inefficiency which handicaps the very purpose of mass production—lower costs.

I do not have the answers to this problem. But I am sure that workable solutions can be found if we will only bring to it the same insistent objectivity and willingness to experiment which you and others like you throughout industry have given to the mechanical difficulties in mass production.

In industrial human relations, then, we have a new and relatively unexplored frontier. And beyond this frontier lie opportunities greater perhaps than any of us can imagine.

There are many considerations which we must take into account as we work toward a solution of this problem. I can name some that have occurred to me, and you will think of others.

Labor Unions Here to Stay

I assume, for example, that all of us agree that Labor Unions are here to stay. Certainly, we of the Ford Motor Company have no desire to "break the unions," to turn back the clock to days which sometimes look in retrospect much more attractive than they really were. The truth of the matter is that the Unions we deal with rose out of the very problem we are discussing—the human problems inherent in mass production. We do not want to destroy the unions. We want to strengthen their leadership by urging and helping them to assume the responsibilities they must assume if the public interest is to be served.

It is clear, then, that we must look to an improved and increasingly responsible union leadership for help in solving the human equation in mass production. Union leaders today who have the authority to affect industrial production on a vast scale enjoy a social power of enormous proportions. If they are going to be real leaders they must accept the social obligations that go with leadership.

What is needed today is industrial statesmanship—from both labor and management. Instead, we have a tradition of industrial antagonism. Men who in their private lives would not think of entering into a brawl on the street have in the past found themselves blasting each other in the public press by colorful name-calling. This tradition has given rise in some circles to the theory that open conflict is inevitable. I have even heard it said that strikes are helpful in "clearing the atmosphere."

With such unhappy theories I do not hold. Modern man, who has done so much to reduce the manpower loss caused by disease, can certainly hope to reduce the manpower loss from industrial conflict. The public interest requires that we find ways to eliminate industrial warfare without impairing or diminishing the rights which both management and labor must continue to enjoy.

Industrial Relations Programs

We will always have some honest differences of opinion. But we can certainly deal with these controversies more wisely and efficiently. If we are to have industrial relations programs and labor relations staffs, and spend as much money on them as we do, we should do it expertly and efficiently, bringing to the task the same technical skill and determination that the engineer brings to mechanical problems. We must act on a more human and professional plane.

There is no reason, for example, why a grievance case should not be handled with the same dispatch as a claim for insurance benefits. There is no reason why a union contract could not be written and agreed upon with the same efficiency and good temper that marks the negotiation of a commercial contract between two companies.

In the meantime, there are day - to - day responsibilities of management toward employes which should fit into the whole pattern of the new relationships we seek. Consider, for example, possibilities for improvement in personnel evaluation. Only recently have we begun to develop and use modern techniques which enable us to fit people to jobs, and fit jobs to people, with some degree of science. Too often we have assumed that if a man is a good sweeper he is a good sweeper only, if a man is a good assembler he is a good assembler only. But the results of industrial psychological tests show very clearly that sometimes a good sweeper may also be a good assembler, and an assembler may have qualities of personal leadership that will make him a good foreman. Every company follows a general policy of advancing men in accordance with their capacities. But we can do a more scientific job.

When we have learned to do a reasonably good job of evaluating an employe's capacities at the start of his career, we can do a better job of upgrading. I am not talking now about technical requirements having to do with such things as automatic pay raises and seniority. I mean the development of more opportunities for employes to improve themselves in accordance with their own initiative and desires.

We know that great masses of men work constantly at points below their top capacities, and it is one of our jobs to see that ways and means are provided to help them rise to these opportunities.

Communication between management and employes in large mass production plants is another important field in which we can work.

In any large group of people working together it is a basic requirement that good lines of communication exist. There will always be plans and estimates, information about new styles and new engineering, and other data, which management must guard closely because they are the very elements on which tough competition is based. But information about company objectives and accomplishments should be made available to all. People want to know what the other people they work with are doing and thinking. They want to know "the score."

It is fairly easy for everybody to "know the score" when there are only 50 employes in a plant. But when thousands of employes work at assembly lines in a single plant they create a problem of communication which has not yet been solved.

In an age in which the world prides itself on speed and efficiency in human communication it is absurd that we should not have been more successful in this field. We have the tools at our disposal—movies, radio, coordination conferences, n e w s p a p e r s, the graphic arts, posters and all the rest. It is good business to see to it that the members of our industrial teams get information to make them conscious of the fact that they are *on* the team. This applies all along the line—shop employes, office workers, supervisory and executive personnel.

I think we can lick this job of better communication. Informed employes are more productive than *uninformed* employes.

I shall not attempt to point out other areas—and there must be many—in which we can work toward better human engineering in mass production. The important thing, it seems to me, is to recognize the problem for the vital one it is and to move forward in hope and confidence and intelligent experimentation toward workable solutions.

As a starting point for continuing efforts in that direction, perhaps management a n d labor would today agree:

1. That the job of American Industry—Management and Labor—is to make at lower and lower cost more and better products to sell for lower and lower prices.

2. That the only way that job can be done is through understanding and sensible cooperation between management and labor.

3. That the spirit of that cooperation must be a sense of joint responsibility. The Public is the "Boss," not Management or Labor. Both Labor and Management must accept their share of responsibility to the public welfare and live up to their commitments.

4. That mass production has demonstrated its ability to bring high wages, and that higher wages can come only out of greater production and lower costs.

5. That, while no single human institution or industry can promise complete security because of the complexity of modern civilization, Management and Labor can work toward more certain, more stabilized employment.

6. That American industry should be a place of opportunity—a place in which men and women can grow and develop into better jobs.

If these are our articles of industrial faith, then we are squared

Controls—A Bar to Expansion

(Continued from first page)
poised between war and peace the situation is one of industrial strife in the realm of industry, and confusion of policy in the realm of government.

The Prevailing Confusion

One central issue lies at the root of all our present difficulties, namely, the feasible level of wage rates—not in the future but during the present year. This issue not only lies at the basis of the current struggle between labor and management, but it is also at the basis of the problem of controlling prices.

The fundamental requirement at the end of the war is readjustment in the light of changing conditions. Just as war demands affected the various industries quite differently, so the resumption of business in response to peacetime demands will affect industry quite unequally. In some lines the volume of production will be very large; in other cases it will be greatly reduced. In some industries productive efficiency may have increased considerably, while in others it may have declined. Some industries will find so active a demand for their products that marketing costs will be relatively low; the reverse will be true in other cases. Some lines may need to pay higher wages in order to attract sufficient labor or because of the power of labor unions; in others, where labor organization is weak, wages may be reduced. In some industries direct wage outlays account for as much as 60 to 70% of the total costs; in others the wage element is of relatively minor importance. With some products the cost of raw materials may rise sharply because of increasing labor costs; in others there may be little if any change. In this situation every industry is inevitably confronted with a new cost and price calculation. Under competitive conditions and in the absence of control, extensive readjustments of the price structure would inevitably occur.

In the light of this situation it is apparent that any generalization as to the wage rate increases that the economy can support are impossible. The situation will vary widely in the different divisions of industry. Consequently any general formula designed to increase wage rates sufficiently to offset the loss of overtime pay is impracticable.

The wage-price situation at the present time is essentially different from that existing at the end of World War I. During the First World War wholesale prices of manufacturred goods rose much more rapidly than wage rates. But during the present war the reverse has been true. That is, wage rates have risen much more than industrial prices. Consequently, at the end of the last war the wage-price ratio was more favorable to management than at the beginning of the war; whereas at the end of World War II the general wage-price ratio is in general less favorable than it was in 1940. It should be emphasized, however, that it does not follow from this that still further increases in wage rates might not be possible in certain lines where volume of output will be large and unit costs low.

An expansion of mass purchasing power, either through higher wage rates or lower prices is of course indispensable to economic progress. As I have repeatedly emphasized, unless purchasing power expands in proportion to producing power, the economic system will get out of balance. But the current year is special in character, for the simple reason that the readjustments involved make cost and profit forecasts unusually difficult. As already indicated, the situation varies tremendously in the different lines of industry, and everywhere the unknown elements are more than ordinarily significant. In few lines is it possible to know just how rapidly the essential materials, repair parts, etc., will be available. It is too early as yet to know in most cases how great the economies are as a result of new technological knowledge gained during the war. And nearly everywhere it is difficult to gauge the performance of workers and determine whether the level of individual efficiency will be equal to that of pre-war years. What is needed above all things is a breathing spell in which to find out what is economically possible and what is not possible. If we could have an industrial truce during this year of transition—1946 — we could quickly readjust the economy, absorb all who wish to work, and lay the foundations for an era of expansion in which all would prosper as never before.

Current wage and price policies run directly counter to the basic requirements of the situation as outlined above. Labor leaders wish to prejudge industrial possibilities, and they demand that wage rates be increased sufficiently to offset the loss of overtime pay. It is contended that reserves built up during wartime, coupled with increased efficiency, permit such increases. The reserves were of course built up, with the approval of the Government, for purposes of meeting reconversion costs and providing funds for expansion. In any case, they could not provide the basis for permanent increases in wage rates; because they are not self-replenishing.

The Government also favors increases in wage rates in order to sustain national purchasing power. But the Government's emphasis is upon raising wage rates in the lower levels and in areas where deflationary tendencies are feared. The truth is, however, that the wage rate increases will occur mainly among the high paid labor groups because their organization is strongest. They will also be greater in booming than in depressed industries. Thus the Government's policy is stalemated by labor's policy.

The other feature of the Government's policy is the maintenance of price stability. Here again, as we shall see, current wage policies thwart government price policies.

How Much Control Does OPA Have?

There are two sides to the price control problem: the demand, or purchasing power, side; and the cost side. Excess (and increasing) purchasing power creates a seller's market which invites price advances. Rising costs operate to push prices upward. Let us now see how much control OPA has over the two sides of this problem.

On the demand, or purchasing power, side, OPA cannot control the following factors which affect aggregate purchasing power: (1) government expenditures; (2) instalment credit expansion; (3) bank credit expansion; (4) the liquidation of savings; (5) the volume of employment; (6) the level of wages; and (7) the level of farm income.

The OPA has never been vested with controls over any of these factors.

On the cost side, the OPA does not have control over (1) the prices of agricultural products, and (2) the rate of wages.

The outstanding lesson of the war was the discovery that, without control of wage rates and farm prices, general price control was impossible. This was the lesson of the German experience, of the French experience, of the British experience, of the Canadian experience, and of the United States experience. In the first phase of our wartime control, wage rates and farm product prices rose sharply. It was not until the creation of the Office of Economic Stabilization and the adoption of the hold-the-line policy that prices were brought under control. Not until wage rates were stabilized and agricultural prices were held in line did the program of the OPA succeed. Now at the end of the war, half—and much the bigger half—of this control mechanism has to all intents and purposes been abandoned. Under the circumstances OPA has no effective control over the primary forces operating from the cost side to raise prices.

In these circumstances, all OPA can do is to **delay** upward price adjustments. The agency recognizes that upward adjustments in prices may be necessary when costs rise. All they can hope to do is to prevent prices from rising as rapidly as might otherwise be the case, and from advancing more than is essential to the maintenance of profits.

Present price control is in reality profit control. Since the attempted control is from the cost side, it is necessary for the OPA to consider profit margins. Indeed, prospective profit is the test of a **reasonable** scale of prices. No other guide for OPA is available. Hence we are embarked upon the control of profits in peacetime.

The OPA deserves sympathy. Unable to exercise any control over the factors which affect aggregate purchasing power in relation to the supply of goods, it is also denied control over the primary elements in cost. The success of the price-control machinery during the war period after the hold-the-line policy was adopted will be matched by the failure of the price-control problem in the post-war period following the abandonment of wage stabilization.

Granted that under these circumstances OPA cannot prevent substantial advances in prices, may the agency not still justify itself by restraining the advances until such time as supply catches up with demand? While it is possible that the agency may delay and restrain price advances, it is almost certain to be at the expense of rapid reconversion and expansion. The case of steel illustrates the nature of the problem. OPA denied price advances in the autumn on the ground that they were not necessary to the maintenance of reasonable profits for steel. The steel industry contends that, except for the war business, steel production during the war was conducted at a loss. I do not pretend to know whether OPA's judgment on this point is superior to that of the steel comapnies'. But OPA does not appear to be too confident of its opinion for it has promised to review steel prices after the year-end reports become available. But these year-end reports cannot throw any real light on the prospective profit margins for 1946. The year 1945 was unique—six months of war production and six months of transition. Thus a review of 1945 operations in January or February —especially in view of suspensions on account of strikes and possible wage increases — will mean nothing. Meanwhile for months the steel industry cannot know what price quotations will be permitted. Similarly, the multitude of industries which use steel as a basic product cannot gauge their costs with the usual degree of certainty. Moreover, all flexibility in administering the business is gone.

The decision with respect to the prices that are possible involved not only wage and other direct costs but also prospective markets, volume of production, and the working out of complex technological and organizational problems.

An agency of government has set itself the task of substituting its judgment for that of the managers of a vast industry of great complexity such as steel. Moreover, it contemplates passing judgment upon the right prices of steel at the same time that it expects to pass judgment upon the permissible prices in all other industries.

As already indicated, the transition from war to peace affects the cost-price situation quite differently in the various divisions of industry. Accordingly, the whole price structure has to be reviewed. Moreover, since rising costs in any particular industry affect costs in related industries, continuous review and readjustment of prices is necessary to meet the needs of the rapidly changing situation. Granted the requisite technical knowledge and experience, the time required for any administrative agency to make wise and equitable price readjustments is so great that the expansion of production and employment will inevitably be impeded.

It is for these reasons that I reach the conclusion that the over-all control of prices by the OPA is administratively impracticable. The attempt thus to control the economy can only retard the process of business expansion.

Note the complications of the present process of price and profit determination. An industry which believes that at present costs and prospective volume higher prices are essential must present elaborate evidence to the OPA. This agency takes the request under advisement, reviews the evidence in relation to its formula. Hearings must in the interest of fairness be permitted. Moreover **individual** companies which can claim hardships are to be given special review. Finally the OPA issues its decision.

But this decision is subject to review by the Director of Price Stabilization. Mr. Collett is a higher authority than Mr. Bowles. In turn, Mr. Collett's decision is subject to review by Mr. Snyder. And finally, Mr. Snyder's decisions are subject to review by the White House, where the ultimate decision may have to be made.

And when a decision is finally made with respect to steel, we do not have assurance that it is a decision that can stand for any length of time. If wage rates are shortly raised, the decision again needs revision.

And when steel prices rise it is necessary to review the cost, price and profit outlook in all the industries that can secure steel. At this stage the entire process becomes administratively impossible. Similarly with respect to farm prices, OPA has no final say. Secretary Anderson holds that the price of butter must be raised because milk has been going into cream, where the profit is better. Mr. Bowles objects with all the power at his command — which consists only of argument before the higher authorities, Collett, Snyder, and Truman.

It is for these reasons that I reach the conclusion that the over-all control of prices by the OPA is administratively impracticable. The attempt thus to control the economy can only retard the process of business expansion. My judgment is that the administration of price control is now at a stage similar to that reached by the National Recovery Administration in its later days. The situation is worse because of the complete lack of coordination in the area of price control.

The abandonment of over-all price control by the OPA does not mean that we would be left without any protection against the possibilities of inflation. The resumption and rapid expansion of production would itself be a safeguarding factor of no little importance.

Possible speculation in raw materials and inventories can be held in check by selling surplus government supplies. Agricultural prices will decline if government props are removed—the fear there is deflation in most lines.

Rent control can be lodged with the housing administration. Moreover, if necessary control over the allocation of building materials may be continued.

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away to attack the problem of making mass production more efficient by giving the same hard-headed attention to human factors that we have given so successfully in the past to mechanical factors. The only approach we can take is to live up to the best industrial statesmanship of which we are capable. If we give the best we have, we can hope to get the best in return.

Potomac Edison Pfd. Placed on Market

A banking group headed by W. C. Langley & Co. and The First Boston Corp on Jan. 18 offered 63,784 shares of 3.60% cumulative preferred stock (par $100) of The Potomac Edison Co. The stock is priced to the public at $101.75 per share plus accrued dividend.

The offered shares are subject to prior right of holders of the 7% and 6% preferred stocks of the company to take these shares under an exchange offer on a share for share basis, plus a cash adjustment.

The new preferred stock is being issued for the purpose of refinancing the company's outstanding 7% and 6% preferred stocks at a lower dividend rate.

The stock may be redeemed on 30 days' notice at $106.75 per share to and including Feb. 1, 1951 down to $103.75 per share after Feb. 1, 1956.

The principal business of the company and its subsidiaries is the production, distribution and sale of electric energy in Maryland, Virginia, West Virginia and Pennsylvania. Consolidated net income of the company and subsidiaries for the nine months ended Sept. 30, 1945 amounted to $783,089. For the year ended Dec. 31, 1944, net income aggregated $1,010,680.

New York Stock Exchange Weekly Firm Changes

The New York Stock Exchange has announced the following firm changes:

Transfer of the Exchange membership of Edmund T. Tweedy to Walter D. Floersheimer will be considered by the Exchange on Jan. 31.

Transfer of the Exchange membership of William T. Emmet to John P. Cronin will be considered on Jan. 31. Mr. Cronin will continue as a partner in Hilbert & Co.

Privilege of William F. O'Connor to act as alternate on the floor of the Exchange for Garrow T. Geer, Jr., was withdrawn on Jan. 21 and the firm of Geer & O'Connor was dissolved.

W. C. Langley & Co. to Admit John H. Goodman

W. C. Langley & Co., 115 Broadway, New York City, members of the New York Stock Exchange, will admit John H. Goodman to partnership in the firm effective today. Mr. Goodman has been with the firm for many years as office manager.

Municipal News and Notes

The municipal bond market continues to move in one direction, meaning toward higher levels, and the available evidence suggests that the uptrend is not likely to be arrested, unless and until some bearish development comes into being. At the moment, of course, all factors, current and foreseeable, appear to be in favor of a higher price level.

Perhaps the most "bullish" force is contained in that portion of President Truman's address to Congress pertaining to the tax outlook. In this regard, the President expressed himself as being opposed to any further tax cuts in the immediate future. The present levels, he said, should be maintained at least throughout the 1947 fiscal year.

Accordingly, and assuming that Congress will go along with Mr. Truman's recommendation, the prospect is that the present value of the tax-exempt feature on municipals will remain undiluted for an extended period. This circumstance, along with several other favorable factors, will very likely add further force to the arguments in favor of the current high levels of municipals and even the possibility of a further narrowing of yields.

Regardless of the factors involved, it is evident that dealers are becoming increasingly eager to acquire issues put up for sale, with the result that they are being hard-pressed to outbid their competitors. Naturally, their enthusiasm quite evidently reflects the temper of demand from investment sources, which appear to be engaged in a sharp scramble to acquire available paper. The word "available," incidentally is used advisedly, as the supply of bonds is being rapidly reduced in proportion to the demand.

The truth of the matter is that the character of bidding on recent issues would indicate a widespread view that (1) the general level of interest rates is destined to undergo a further revision downward, and (2) that it will be a long time before the volume of municipal financing attains the expected peacetime proportions.

As to the first point, proponents seemingly find ample evidence in the course of the government bond market, which continues to reflect opinion of investors that there is small hope of the Treasury reversing its policy of financing its monetary requirements on other than a low interest rate basis. This applies, of course, to the prospective refunding operations, as there is small likelihood of any new money financing for some time. Thus investors are acquiring as much of the relatively high coupon, long maturity bonds as are available, thereby forcing the price level to constantly higher ground. It follows, naturally, that the fully tax-exempt municipals become the more attractive and, on a relative yield basis, their present price level is amply justified.

Aside from the interest rate angle, there is the further question of just when there will be any material improvement on the supply side of local government obligations. This will depend in important measure, of course, on the rapidity with which the current growing impasse in management-labor relations is corrected. The longer that men and materials remain idle due to strikes, the less chance there is for any substantial measure of improvement in the volume of bonds reaching the market.

In short, the twin favorable factors of interest rates and supply are presently exerting their full effect on the municipal price structure and, at this writing, there is nothing to indicate an imminent reversal of form.

Supreme Court Decision Seen Favorable to Tax-Exempts

Last week's decision of the United States Supreme Court upholding the right of the Federal government to levy an excise tax on the sale of bottled mineral water by the Saratoga Springs Authority, N. Y., had virtually no effect on the municipal bond market.

The impact, if such it may be called, was limited to a small decline (about ¾s of a point) in the quotation of bonds of various authorities, all of which was quickly recouped following an analysis of both the ruling and dissenting opinions. These indicated that there was no tendency on either side to question the tax-exempt status of the bonds of existing authorities or of States and local governments per se. Actually, the language contained in the conflicting opinions was construed in legal circles as giving the strongest possible backing by the court's present personnel to the constitutional immunity of municipals from Federal taxation.

It may be said in passing, however, that the prevailing opinion of the court may have a salutary effect in discouraging either the States or municipal units from grossly distorting the municipal ownership principle. In other words, there must and should be a limit to the excursions of government, regardless of level, into fields which are properly occupied by private enterprise.

Buffalo Sewer Authority Bonds Seen "Gilt-Edged"

The current issue of the Buffalo, N. Y. "News Letter," prepared by City Comptroller George W. Wanamaker, is devoted to a discussion of the Buffalo Sewer Authority and contains the statement that the "City Comptroller has no hesitancy in saying that the authority's bonds are gilt-edged investments."

The sewer authority, it is noted, was created by the State legislature in 1935 and empowered to issue up to $15,000,000 bonds. Of the $10,365,000 sold, a total of $8,867,000 were outstanding on July 1, 1945. Of interest to bondholders, Mr. Wanamaker writes, is that the agency has on hand a reserve of $718,374 for future payment of principal.

Although a separate corporate entity, the authority is closely connected with the City of Buffalo in that its revenues are collected from the latter's taxpayers. Its sources of income are two-fold: (1) sewer rental charges based on water consumption, and (2) a sewer rental based on assessed valuation of real estate. While tax-exempt realty in the city is not subject to the sewer rent based on valuations, the Comptroller notes that perhaps this defect could be remedied, but appropriate legislation might be required.

In discusing the authority's report for the fiscal year 1944-1945, Mr. Wanamaker observes that expenditures were $1,565,747.25, while revenues aggregated $1,585,482.11, leaving a net surplus of $20,000 after allowing for a war emergency bonus to employees of $50,000.

The city's chief fiscal officer pays tribute to the excellent physical condition of the sewer authority's facilities, including the disposal plant, describing them as "magnificently maintained." Investors, he says, will regard it as an evidence of good management that all physical properties were reappraised for insurance purposes.

The authority under the chairmanship of Henry W. Keitzel, says Mr. Wanamaker, "has functioned efficiently and in the public interest, availing itself of the opportunity of reducing expenses by using existing city services wherever possible."

Unscrambling Pittsburgh Railways

(Continued from page 377)

guarantees of lease performance and the fixing of liability for taxes upon Philadelphia Company.

2. The publication, in January, 1945, of the Special Master's Report holding the corporate rights and identities of the underliers as legally "unassailable" and recommending dismissal of the City of Pittsburgh's petition to bring all properties under blanket jurisdiction of the court. The court dismissed the city's petition. The city appealed, and the matter now rests in the Third Circuit Court of Appeals, Philadelphia.

3. The filing of a bondholders' petition and the hearing thereon, in October, 1945, asking the court to appoint an investigator to examine the relationship of Philadelphia Company to Pittsburgh Railways Co. with a view of declaring the latter an integral part of the former. Should such an opinion be affirmatively established, it would immediately pose the question of subordination of all of Philadelphia Company's holdings of system securities. With certain reservations and stipulations, the court has ordered such an examination.

4. From an operational standpoint, the completion of delivery, in 1945, of 100 additional P.C.C.-type cars, bringing the total up to 566, numerically and percentagewise the world's largest fleet of street-car streamliners.

5. The maintenance of gross and net revenues at satisfactory levels. Street railway passenger revenues have exceeded $20,000,000 annually in 1943, 1944 and 1945, compared with a low of $11,261,000 in 1933. The end of the war has not materially adversely affected traffic volume, which, in the Pittsburgh area, is primarily dependent upon general business activity. The production of steel and coal is as basic in peace as in war.

6. The fact that, since mid-1938, the trustees have made no payments in respect to interest or lease-rentals on system securities other than meeting debt service on outstanding car-trust certificates. The result has been a steady accumulation of cash now understood to be in excess of $20,000,000 and increasing, roughly, at the rate of about $3,500,000 per year. This is greatly in excess of the rate of accrual on all outstanding publicly held securities.

The time element appears strongly to favor the patient but temporarily impoverished security holders.

The consensus of opinion among economists and business men is that idle cash serves no good purpose. Its retention, as a frozen asset, earns no income. To the extent that interest is foregone, it may properly be regarded as an item subject to negative depreciation. At the same time claims against Pittsburgh's cash are accruing according to contractual schedules. The Pennsylvania Public Utility Commission has, from time to time, indicated that earnings of 6%, 7% and "sometimes more" are a fair return on invested capital. Earnings of 6% on $20,000,000 would add $1,200,000 annually to revenues. The company is not receiving the earning power of its impounded cash and security holders are receiving no income. The situation may be logically considered as "not in the public interest," and as such come properly under the purview of the Securities and Exchange Commission under Section 11-E of the Holding Company Act.

A Suggested Plan

When Philadelphia Company, two years ago, acknowledged and published the principle that the acquisition by it of publicly-held securities provided the most logical and practicable solution of the system tangle, it specified certain intermediate steps which it considered necessary to be undertaken. These were: (a) an estimate of the available cash, (b) determination of the amounts which creditors and security holders would be entitled to receive, (c) the development of data for establishing prices to be offered for securities held by the public, and (d) the ascertaining of what regulatory approvals, if any, would be required.

It may be observed that the first three factors above are subject to constant variability. Time marches on. The "available cash" increases month by month, as do the delinquent claims of the security holders. Open market prices for outstanding securities, which necessarily bear importantly upon the success of any offer to purchase, have a way of changing as they reflect shifting investor opinion.

Only by devising a somewhat flexible formula that may be equitably applied over a reasonably extended time may a practicable approach be made to the problem.

In the bleak absence of a constructive proposal from the sources most concerned, it is the purpose of this report to suggest a program which may contain at least the initial elements of feasibility. It is necessarily arbitrary, but is based upon a fair and reasonable consideration of the many factors involved.

If the Philadelphia Company, which now owns, in the aggregate, about 64% of all system securities exclusive of its 100% ownership of Pittsburgh Railways Co., is to become the sole owner of the system, then consideration need be given only to the minority public holdings. Once wholly owned, the system's internal accounting is of no further interest to the public.

This discussion, then, has to do with the formulation of a possible basis for an "offer to purchase."

The proposals herein advanced are based on the premise that acceptance of any offer would be optional with the security holder. If he should deem it unfair as it would apply to his particular holdings, he may merely refuse to sell or exchange. As a practical matter, however, it appears reasonable to assume that a substantial amount of publicly held securities could be thus acquired, thus simplifying subsequent acquisition of the balance.

Treatment of "Guaranteed Issues"

Properties of six of the 53 underlying companies are operated by Pittsburgh Railways Co. under leases which include guarantees, by Philadelphia Company, of full performance of the lessees' obligations. Publicly outstanding securities which carry Philadelphia Company's guarantee total $1,125,566 bonds and $9,756,600 stocks as follows:

Bonds

$980,066	Pittsburgh Railways Co. Gen. 5s, 1953
114,000	Suburban Rapid Transit St. Ry. 6s, 1953
41,500	Mount Oliver Incline Plane 6s, 1954
10,000	South Side Passenger Ry. 5s, 1953

Shares	Stocks	Par
105,402	Monongahela Street Ry.	$ 50
60,000	Pittsburgh & Birmingham Trac.	50
26,155	Suburban Rapid Transit St. Ry.	50
1,500	Pittsburgh Incline Plane	100
558	Mount Oliver Incline Plane	50
17	Pittsburgh & Birmingham Pass. Ry.	50

Following appointment of the trustees in 1938, Philadelphia Company disputed its liability, under its guarantees, for payment of the operating companies' taxes on income. Monongahela Street Railway Co., for itself and on behalf of the other guaranteed underliers, obtained a Pennsylvania Supreme Court decision validating the guarantee and fixing the contested tax liability on Philadelphia Company. The decision was accepted by Philadelphia Company in respect to Monongahela and, in principle, in respect to the other guaranteed underliers. Provisions of the guarantees, which involve total annual fixed charges of $516,422, are being currently met in full. Generally speaking, the guarantees run for 900 years from about 1902.

For all practical purposes, the securities of the so-called guaranteed underliers have ceased to be street railway securities and are to be regarded as long-term obligations of Philadelphia Company. Thus it appears logical to set them apart and accord them treatment which more realistically conforms to their statistical position.

It is proposed that Philadelphia Company create a 4½% callable preferred stock to be offered in exchange for the guaranteed issues. The exchange should not be made on a par-for-par basis but in such ratios as to preserve present income returns. Such a plan would appear fair to both the security holder and to Philadelphia Company. Its acceptance would eliminate $10,882,166 of onerous guarantees and render immediately practicable the carrying out of further suggested steps to be taken.

Unguaranteed Securities

Consideration of the unguaranteed bonds and stocks, publicly held in the face amounts of $11,707,600 and $4,515,250, respectively, is somewhat more involved due to conflicting theories of value and precedence. However, a start must be made, if only to serve as a basis for further discussion. Moreover, as indicated above, an aggrieved holder has only to refuse any offer which he considers unsatisfactory.

In arriving at valuations for specific securities, arbitrary weights have been given to factors of partially segregated earnings, mortgage positions, contractual relationships, estimated operational importance, current market prices and, in two instances, to specific guarantees by Pittsburgh Railways Co. Unless a plan could be produced which would provide full payment of all claims, any "straight-line" treatment would tend to over-valuate the poorer securities at the expense of issues of obviously better grade. It is conceded that any attempt at differentiation is likely to fall short of universal approval. The task is particularly difficult since detailed segregated earnings of the individual companies are not publicly available, and, in some instances, probably cannot be accurately calculated by Pitts-

burgh Railways Co. itself. Nevertheless, from a study of the voluminous data which is accessible, it is possible to distinguish differing values in certain securities and in groups of securities.

It is necessary to realize that the physical properties comprising the system have long been classified into three sub-systems known, respectively, as the "Consolidated," the "United" and the "Pittsburgh" groups. At one time, these were actually separate and independent enterprises, each of which operated, controlled or leased its individual component companies. Unified operation, under the direction and management of Pittsburgh Railways Co., dates back to 1902. In the interest of providing efficient service, there have developed some over-lapping of routes, pooling of facilities and a general practice of interchanging rolling stock among the individual companies and, to a lesser extent, among the three sub-systems.

The Special Master's Report, in commenting upon the respective characteristics of the three subsystems, publishes significant figures in respect to the comparative ability of the three groups to produce revenues:

"An estimate of the income of the Trustees attributable to the systems of the underliers from the beginning of he trusteeship, i.e., May 11, 1938, to Dec. 31, 1942, was presented as Exhibit P-39 (R 2838). This exhibit showed, after allowances for construction work on the properties of the underliers by the Trustees, but without allowance for depreciation, that the Trustees' income was $6,301,049 and had been contributed as follows:

By Consolidated and lessors	$6,418,825
By United and lessors	1,369,698
	$7,788,523
By Pittsburgh and lessors (deficit)	1,487,474
	$6,301,049

A comparison is also given for the year 1942:

	After all expenses, exclusive of depreciation	After all expenses, including depreciation
Consolidated	$2,658,644	$1,908,745
United	1,105,020	481,187
Pittsburgh	344,020	36,681

"Operating revenues of Pittsburgh Railways Co. in 1942 were $16,098,010."

Although important weights must be accorded individual securities throughout the list, the preponderant earning power attributable to "Consolidated" must strongly and favorably influence consideration of the underlying issues of this group.

For purposes of computation, it is expedient to make a certain basic assumption. On May 11, 1946, Pittsburgh Railways Co. will have been operated under trusteeship for a period of eight years. While interest and dividend dates vary somewhat in respect to individual issues, it will suffice to assume an average arrearage of eight years in respect to the underlier's charges. As earlier noted, cash is accumulating at a faster rate than the charges on publicly held issues. Hence any extension of the period of trusteeship tends to strengthen the position of the security holder.

Schedule of Claims and Suggested Valuations

The disentanglement of a situation as long-standing and as complicated as Pittsburgh Railways suggests the probability of a willingness to compromise on the parts of most parties at interest. Generally speaking, investment in system securities over the long term has been historically unsatisfactory. Despite the greatly improved present outlook, many holders would doubtless welcome an opportunity to exchange their commitments for a less worrysome type of investment. It is felt, from a practical standpoint, that an offer to purchase might be substantially successful if extended *now*, for cash, at a straight-line discount of 25% from the comparative valuations suggested in the following tables. *This, however, is purely a matter of conjecture to be weighed against conditions and circumstances prevailing at the time when, and if, an offer to purchase may be forthcoming.*

For comparative purposes, the two right-hand columns in the tables below have been adjusted to reflect such a straight-line discount offer to purchase.

Notes on Allocation of Percentages

Conclusions

The alternative sums indicated in this report as necessary to provide the basis for an offer to purchase are not visionary goals of the future. There is reason to believe that these sums are or could be made presently available for the purpose suggested.

Acquisition by Philadelphia Company of all or most all of the publicly outstanding securities would immediately stop the obligation of meeting further accruals on the issues so acquired. Once owning all or a large majority of all securities represented in the system, Philadelphia Company could subsequently bring about the merger, dissolution, recapitalization or sale of Pittsburgh Railways Co. and the underliers in such manner as its best interests might indicate. In the event of a final disposition, minority "hold-outs" would have the legal recourse of taking their respective securities to appraisal.

The alternative is far from discouraging from the investor's viewpoint. Within a relatively short time, under a continuation of present conditions, impounded cash is likely to be sufficient to meet all public claims in full, at par and accrued, regardless of conflicting theories of comparative merit.

CONSOLIDATED GROUP

No.		Publicly Held Par Value	Accr. Int. or Dividends	Total Claim	Percent of Claim Accorded	Amount Required	Equiv. Market Price	Less 25%	Adj. Market Price
1.	Ardmore St. Ry., 5s, 1958	$556,000	$222,400	$778,400	100%	$778,400	140	$583,800	105
2.	Central Traction, 5s, 1929	4,000	1,600	5,600	100	5,600	140	4,200	105
3.	Citizens Traction, 5s, 1927	13,000	5,200	18,200	100	18,200	140	13,650	105
4.	Central Pass. Ry., 6s, 1924	14,000	6,720	20,720	100	20,720	148	15,540	111
5.	Duquesne Traction, 5s, 1930	49,000	19,600	68,600	100	68,600	140	51,450	105
6.	Fort Fitt Traction, 5s, 1935	724,000	289,000	1,013,000	80	810,400	112	607,800	84
7.	Milly. Etna & Ships., 5s, 1923	1,500	600	2,100	100	2,100	140	1,575	105
8.	Penn Street Ry., 5s, 1922	18,000	7,200	25,200	100	25,200	140	18,900	105
9.	Pittsburgh Traction, 5s, 1927	7,000	2,800	9,800	100	9,800	140	7,350	105
		$1,386,500	$555,120	$1,941,620		$1,739,020		$1,314,265	
10.	Atchison Traction	$500,000	$200,000	$700,000	100%	$700,000	70	$515,000	52.50
11.	Consolidated Traction, preferred	315,700	151,536	476,236	70	333,365	51.8	250,024	38.85
12.	Citizens Traction	2,605,800	1,250,784	3,856,584	100	3,856,584	74	2,892,438	55.50
13.	Central Traction	40,600	9,744	50,344	100	50,344	62	37,758	45.50
14.	Duquesne Traction	343,250	119,400	462,650	100	462,650	66	346,987	49.50
15.	Pittsburgh Traction	13,500	7,560	21,060	100	21,060	78	15,795	58.50
		$3,818,850	$1,739,024	$5,557,874		$5,424,003		$4,058,002	
		$5,205,350	$2,294,144	$7,499,494		$7,163,023		$5,372,267	

UNITED GROUP

No.		Publicly Held Par Value	Accr. Int. or Dividends	Total Claim	Percent of Claim Accorded	Amount Required	Equiv. Market Price	Less 25%	Adj. Market Price
16.	Alleg., Bellevue Pvle., 5s, 1920	$3,000	$1,200	$4,200	80%	$3,360	112	$2,530	84
17.	Fed. St. Pleas. Vy., 5s, 1919	2,000	800	2,800	90	2,520	126	1,890	94.50
18.	Fed. St. Pleas. Vy., 5s, 1942	929,000	371,600	1,300,600	90	1,170,054	126	877,540	94.50
19.	Pitts. Alleg. Manch., 5s, 1930	34,000	13,600	47,600	80	38,080	112	28,560	84
20.	Second Avenue Traction, 5s, 1933	129,000	51,600	180,600	100	180,600	140	135,450	105
21.	The Second Avenue Trac., 5s, 1934	1,644,000	657,600	2,301,600	80	1,841,280	112	1,380,950	84
22.	United Traction, 5s, 1997	2,859,000	1,143,600	4,002,600	50	2,001,300	70	1,500,975	52.50
		$5,600,000	$2,240,000	$7,840,000		$5,237,194		$3,927,895	
23.	Fed. St. Pleas. Vy., common	$650,000	$260,000	$910,000	50%	$455,000	17.50	$341,250	13.12
24.	United Traction, preferred	46,700	72,385	119,085	10	11,908	12.75	8,931	9.56
		$696,700	$332,385	$1,029,085		$466,908		$350,191	
		$6,296,700	$2,572,385	$8,869,085		$5,704,102		$4,278,076	

PITTSBURGH GROUP

No.		Publicly Held Par Value	Accr. Int. or Dividends	Total Claim	Percent of Claim Accorded	Amount Required	Equiv. Market Price	Less 25%	Adj. Market Price
25.	Pitts. Can. Wash., 5s, 1937	$423,000	$169,200	$592,200	100%	$592,200	140	$444,150	105
26.	Pitts. Craft. Mans., 5s, 1924	22,000	8,800	30,800	80	24,640	112	18,480	84
27.	Southern Traction, 5s, 1950	2,662,000	1,064,800	3,726,800	100	3,726,800	140	2,795,000	105
28.	Wash. El. St. Ry., 5s, 1927	125,000	50,000	175,000	35	61,250	49	45,937	36.75
29.	Wash. & Canons., 5s., 1932	385,000	154,000	539,000	35	188,650	49	141,487	36.75
30.	West End Traction, 5s, 1938	854,000	341,600	1,195,600	80	956,480	112	717,360	84
31.	West Lib. & Sub., 5s, 1938	250,000	100,000	350,000	100	350,000	140	262,500	105
		$4,721,000	$1,888,400	$6,609,400		$5,900,020		$4,425,014	

TOTAL REQUIREMENTS

	As Alloted	Less 25%
Consolidated Group	$7,154,023	$5,373,267
United Group	5,704,102	4,278,076
Pittsburgh Group	5,900,020	4,425,014
	$18,758,145	$14,075,357

NOTES ON ALLOCATION OF PERCENTAGES

No. 5. Fort Pitt Traction, 5s, 1935, although included in the statistically strong Consolidated Group, are given a percentage rating of 80. Fort Pitt is an intermediate company deriving most of its earnings from Citizens Traction Co. (and its subsidiary, Penn Street Railway Co.) and from Allegheny Traction Co. (and its subsidiary, Millvale, Etna & Sharpsburgh St. Ry. Co.) whose properties are leased to Fort Pitt. Fort Pitt, in turn, is operated by Consolidated Traction Co. by agreement, terminable upon short notice.

No. 11. Consolidated Traction preferred is statistically one or more steps removed from operating company earnings. Moreover, it should be considered junior to Ardmore Street Ry., 5s, 1958, which are guaranteed, principal and interest, by endorsement, by Consolidated Traction and are, in effect, Consolidated's only funded debt.

Nos. 17 and 18. Federal St. & Pleasant Valley Passenger Ry. Co. is generally referred to as the heart of the United subsystem. Representing the consolidation of five component companies, Federal Street is regarded as the largest and strongest company in the group.

No. 20. Second Ave. Traction Co. underlies The Second Ave. Traction Co. The former company's 5s, due 1933, of which $129,000 are publicly held out of a total issue of $240,000, are senior to $1,819,000 The Second Ave. Traction 5s, 1934. This issue must be regarded as statistically very strong.

No. 22. United Traction, 5s, 1997, are secured principally by underlying stocks and certain bonds of the sub-system and by a general mortgage on United's properties, subject to senior liens. For the most part, the collateral has no public market and is of indeterminate value. It is conceded that the estimated aggregate value of United's collateral is only a fraction of its funded debt.

No. 23. Although Federal Street bonds are entiled to liberal consideration, it would be difficult to find any asset value for Federal Street common. As the equity stock of a going concern, it has been accorded 50% of its total claim.

No. 24 United Traction preferred has paid no dividends since July, 1914. Possessing no discernible investment rating, it has been accorded a token rating of 10%.

Nos. 25 and 31. These issues are guaranteed, principal and interest, by Pittsburgh Railways Co. The guarantee in respect to Pittsburgh, Canonsburg & Washington, 5s, 1937, has been sustained in the Pennsylvania Supreme Court. Upon any termination of the trusteeship, these obligations, in full, would become current liabilities of Pittsburgh Railways Co.

No. 27. Southern Traction, 5s, 1950, are the senior lien of Pittsburgh Railways Co. The mortgage is tightly drawn and includes an important "after-acquired" clause, which, among other specifications, includes "rolling stock" as coming under its lien. Should this provision be judicially established, holders of Southern Traction bonds believe, and probably with cause, that Pittsburgh Railway Co.'s equity in its extensive rolling stock would amply cover this issue.

Nos. 28 and 29. These bonds are liens on suburban trackage which was recommended for abandonment in the Trustees' 1942 Plan of Reorganization. The properties are not essential to unified operation. Moreover, the leases under which the properties are operated expired in 1943. A logical treatment would be to turn the properties over to the bondholders. The percentage rating of 35 provides for an offer slightly in excess of the interest arrearage.

W. H. Kennedy Heads NYSE 25-Yr. Club

William H. Kennedy, a Supervisor on the trading floor of the New York Stock Exchange and an employee of the Exchange since 1917, was elected President of the Quarter Century Club, succeeding in that position John C. Korn. Acting Secretary of the Exchange. The Exchange's Quarter Century Club comprises an active membership of 132 employees and 35 retired employees.

Frederick A. Knoble, Plant Manager of the New York Quotation Company, a subsidiary of the Exchange, was elected Vice-President; John S. Grogan, a Floor Reporter, and Harry C. Jacobs, a Supervisor, were elected Secretary and Treasurer, respectively.

Oscar Lassen, head carpenter of the Exchange, is the senior member of the club in age and length of service. He is 85 years old and, in May, will complete 51 years of continuous service.

Ohio Municipal Comment

(Continued from page 381)

100.68; on 7/9/45 Ravenna Township School District, Portage County, sold $75,000 due 1946-65 as 1¼s at 100.35; on 7/27/45 $100,000 Galions due 1947-71 sold as 1¼s at 100.55.

Market Apparently Still Not as High as Last Year's Peak

Thus, despite all the lamentations heard today about current high prices, the facts appear to show that at least Ohio issues were selling at even higher prices for a period of several months in 1945.

Possibly one reason current prices are astounding many people, investors and dealers alike, is the fact that practically everybody, investors and dealers alike, were about unanimous in expecting the municipal market to recede to lower levels when the war ended and taxes were reduced and subdivisions began issuing bonds again in greater volume. Actually, the market did recede materially last August, September and October, because of the unanimity of such expectations, but instead of continuing to recede, or even to stay at the lower level reached then, the market has indeed climbed back practically to the peak levels reached last year.

In fact, the municipal market, in Ohio as elsewhere, has shown such strength that, while we studiously refrain from predicting (especially in writing) what prices will do, we should certainly not be surprised to see new all-time high price levels established in Ohio municipals before this column appears again next month.

Supply of New Ohio Issues Is Increasing, But Prices Still Rising

Then strength in the market may appear the more amazing because it became more pronounced at just the time that the volume of new issues of Ohios began to increase materially. In the current month of January, 25 subdivisions have scheduled sales of new issues of bonds the total par value of which is $6,147,000. This is a larger number of sales than the Ohio market has seen in one months for several years. Moreover, the total amount of bonds to be absorbed by the Ohio market is larger than in any similar period for some time, because most of this $6,147,000 of bonds sold in January is made up of issues that do not enjoy the marketability necessary to be sold outside Ohio in volume. By contrast, a total of over $7,000,000 of Ohios was sold in October, 1945, but of this total $3,000,000 were Cincinnatis and $2,000,000 were Daytons, both of which issues probably sold better outside Ohio than in the state.

One final comment about present market conditions is a suggestion to investors that they consider the small difference that exists today between yields on short maturities and yields on long maturities. It seems that the rise in prices has been most pronounced in long maturities. Yields have declined on all maturities, it is true, but it would appear that the decline has not been as pronounced on maturities up to 5 years as on maturities around 15 to 20 years.

It would seem advisable for investors, especially bankers, to give considerable thought to the advisability of stretching out into 20 year maturities when the yield on such long commitments is only .25% or .40% more than the yield on a 5 year commitment—as seems more and more to be the case today.

High-Level Employment— A Challenge to Retail Distribution

(Continued from page 374)

the actual figure for November was 1,600,000. In November there were 51,900,000 employed, about half a million more than in November, 1944; and at the same time some 700,000 vacancies were listed with the employment offices. So long as economists and statisticians are unable to hit the mark more exactly, from the standpoint both of numbers and of timing, with their estimates of the size of the labor force, the number of jobs, the number of unemployed, and so on, it is downright silly to think that full employment can be assured by the kind of government planning envisaged in the original Murray Bill.

The Meaning of Full Employment

What do we really mean by "full employment"? The concept of full employment has gathered its present emotional momentum primarily because the shocking unemployment of the 1930's was finally succeeded by the spectacle of full employment in a war economy. The marked contrast between the unemployment of the 1930's and the full employment of a war economy has caused many people to subscribe to such statements as the following (the quotation is from a spokesman for a responsible labor group):

"Our experience in war production has shown that in America we can have an economy of abundance. It has shown that in producing for war we can reach an annual income of 200 billion dollars. The same manpower, the same plant and equipment and the same know-how can produce just as abundantly for peace."

Literally, of course, we do not really want the kind of full employment that characterizes a war economy. What we get in war is not merely *full employment;* it is *overemployment.* In the United States several million people have been employed, including younger persons, older persons, and housewives, who ought not to remain indefinitely in the labor force. Furthermore, the hours of labor in numerous industries have been longer than is socially desirable. The community could not maintain this employment pace indefinitely. Wartime employment is like the 100-yard dash, which can be performed at a much faster pace than the mile run. The large volume of wartime production was obtained at a substantial disregard of costs and various other obstacles which normally limit output. It is impossible to see how similar conditions of production could be maintained in a peacetime economy which preserved any reasonable freedom of choice.

Probably literal full employment never can be achieved except for limited periods, but if business does not succeed in providing a number of jobs that can be characterized as *high-level employment,* and does not succeed in keeping that number of jobs *reasonably steady* — in other words, if business does not make a pretty good show of overcoming mass unemployment—then we had better be prepared for government intervention of a much more drastic sort than that contemplated in the Murray Bill.

The Place of Retail Distribution in Supplying Jobs

Now, where does retail distribution fit into this picture? First of all let's keep before our minds one important fact, which some of the economic planners are prone to forget, namely, that factories provide only about 25% of jobs. The rest are provided by retail and wholesale distribution, transportation, all the variegated service industries, agriculture, the professions, entertainment, the arts, and so on. It is well recognized that as any civilization advances, there is a marked shift in employment away from agricultural pursuits into industrial occupations. It is perhaps not quite so well recognized that as a civilization continues to advance there is likewise a shift away from strictly manufacturing activities into distribution, service, and professional activities. This kind of shift has been taking place in this country for many years. During the war years the trend was obscured. There was a net decline in those years of something like half a million in the total number of all kinds of business establishments, and this net decline was almost wholly in the ranks of the trade and service industries. Furthermore, many going enterprises in the distribution and service trades were largely denuded of manpower during the war. All this means that presently we are going to find a marked increase both in the number of concerns in the distribution and service trades and also in their total number of employees. Many returning veterans will enter these fields with new business ventures, and many persons formerly employed in war plants are going back to selling shoes or furniture or dispensing gasoline from filling stations.

In the course of my work I talk every day with men who are just getting out of the services, mostly Army and Navy officers, who are seeking to pick up their interrupted civilian careers. For the most part these are men of ability and outstanding personality, with excellent war records; and, frankly, I am disappointed to note how small a proportion of these men evince any interest in the field of retail distribution. Unquestionably part of the difficulty is in the salary and wage level. Between 1940 and the middle of 1945, average weekly earnings in manufacturing industry increased 80%. It is highly probable that at all levels of compensation in retail distribution there will have to be a stepup in the post-war years.

But all these matters, important as they are, have to do only with the *direct* responsibility of retail distribution for providing jobs. Even though the quota of jobs in retail distribution will normally tend to increase, for the reasons that have been indicated, it is not the direct job-giving function of retailing that is most important for the achievement of high-level employment. For more important is the contribution which distribution, and especially retail distribution, can make indirectly to *high-level* employment; and it is on the analysis of that *indirect* responsibility of retail distribution for high-level employment that I want especially to focus your thought.

What are the necessary economic conditions for high-level employment, and how can retailing work toward the realization of those conditions?

High-level employment requires, first of all, an expanding economy. If we are not going ahead to larger volume of production, larger national income, greater variety of goods and services, improved qualities of goods, enhanced conveniences and comforts, and higher standards of living, we may as well give up any hope of ever achieving high-level employment. If, instead of increasing the total size of the pie, we continue to devote a large part of our efforts to quarreling over the size of the respective slices taken by labor, agriculture, and owners of enterprise, we may as well abandon any hope of stabilizing employment without surrendering freedom.

One of the first contributions which retail distribution can make to an expanding economy is to expand itself. The present plant and organization of retail distribution is inadequate to the burden which a larger volume of production and higher standards of living are inevitably going to place on it. I don't think that retailers generally appreciate the significance of the sharp upward trend in the total volume of retail sales. In 1929 the volume of retail sales was 49 billion dollars. Then it dropped off to only 25 billion dollars in the great depression. By 1941 it was back to 55 billion; in 1942, 57 billion; in 1943, 63 billion; in 1944, 39 billion, and the 1945 total undoubtedly surpassed this figure.

That is all very well, you say, but those are wartime figures; and this is the post-war period, and surely there is going to be some kind of drop-off or readjustment. No doubt there will be at some future time a period of readjustment — deflation, if you will—but that period is not in sight today. Let's take a look at a few figures. Total income payments in 1945 were close to 160 billion dollars, considerably more than twice as great as the prewar 1939 figure. In 1946 total income payments will probably decline to the vicinity of 142 billion, but because of the reduction in personal income taxes, disposable income will be only 5% or 6% lower; and hence there is every probability that in 1946 people will actually spend more than they did in 1945.

This does not mean that they will be spending out of accumulated savings. It simply means that they will not save so large a part of their incomes as they have been saving during the war years. The total volume of consumer goods and services for 1944 was approximately 98 billion dollars, which in comparison to the disposable income figure of 138 billion dollars indicates savings of 40 billion. For 1945 the volume of consumer goods and services was undoubtedly somewhat higher, probably at least 100 billion dollars; and savings were very likely a little lower, since total national output in 1945 was probably a little under the figure for 1944, the most recent estimate being 196 billion dollars as compared with 198 billion. But whatever the savings figures were in 1945, almost certainly people are not going to be willing to save so much in 1946 as they did in either 1945 or 1944. Retail sales typically amount to about 69% or 70% of consumer goods and services. Hence retail sales in 1945 quite possibly topped 70 billion dollars, and the reasoning just presented indicates that retail sales volume in 1946 will be higher than in 1945, assuming always that present bottlenecks created by labor and pricing difficulties are sufficiently overcome to permit a reasonable flow of goods. Much the same situation is likely to obtain in 1947.

Period of Deflation Not in Sight

Again I repeat, the period of deflation is not now in sight. That does not mean that such a period will not come, and that it will not bring many problems with it. In such a period there will undoubtedly be a decrease in the volume of goods and services sold at retail, but all our past experience indicates that after such a period the community will again rise to new levels of output and consumption. Don't forget that the population of this country is increasing. It has now reached 140 million, and during the war years there has been a marked increase in the birth rate. Some of the statisticians who have been predicting an early levelling off of total population will perhaps have to revise their estimaets. The long-run American trend is still upwards.

Enlargement of physical facilities is only one aspect, however, of the expansion which retail distribution must undertake as part of our expanding economy. Even more important, and actually much more difficult, is the expansion of organization. We need a lot of new people and a lot of smart people in retail distribution. Getting these people is not merely a matter of selection and training; it is a matter of making retail jobs more attractive with respect to opportunities for advancement. Although shortages of materials may hold up the job of physical expansion, there is nothing holding up the job of organization expansion. In fact, this is the golden opportunity. The best personnel material in the world is coming out of the armed services right now.

Today retailers have no difficulty in selling all the goods they can obtain, because we are in a "catching-up" period, a period in which we have to make good not merely the consumption deficiencies of the war years but older consumption deficiencies which date back to the depression years of the 1930's. Gradually, however, this situation will change. First of all, of course, the consumer will begin to insist on better quality than has been available during the years of restricted production. And then in the not-too-distant future there will come a time when the chief deficiencies have been made up, and there will devolve on retail distribution a very important task of demand stimulation and demand creation. It is a fallacy to believe, as apparently some economists do, that the demand is automatic if the income is available. Increased standards of living do not happen automatically; and don't suppose for a moment that it takes merely *advertising* and *selling* to raise standards of living. Far more important is a sound program of *creative merchandising* to develop new goods, new ways of using goods, new and higher standards of living.

Just consider the fact that, as compared with prewar standards the high level of consumption which must accompany high-level employment in the post-war period means percentage increases in spending of such an order as 74% for food, 80% for housing, fuel, light, and refrigeration, 105% for clothing, 135% for automobile transportation, 106% for household operation, 121% for furnishings and equipment, 155% for recreation, and so on. (These figures are based on studies of the U. S. Department of Agriculture and the U. S. Department of Labor, "Studies of Family Expenditures and Savings in Wartime.") After the "catching-up" period has passed, these levels of consumption will not be attained without the exercise of a highly imaginative type of merchandising and sales promotion, utilizing all the amazing scientific developments of the war period for the creation of new merchandise and new ways of living, scouring the markets of the world by airplane transportation, and presenting the goods by radio and television.

Study of Consumer Demands

The merchandising and promotion necessary for high-level consumption also will require much more careful and comprehensive study of consumer demand than is currently undertaken by most retail enterprises. Although department stores, for instance, have long thought of themselves as purchasing agents for the consumer, actually in proportion to their sales the amount which they spend for consumer research is far lower than that of most other types of enterprise. A further important way in which retail distribution can assist in expanding the American economy is by becoming more efficient. Becoming more efficient means primarily increasing the productivity of personnel, and incidentally of space. It is almost superfluous to remind you of the part which increased *manufacturing* efficiency has played in expanding the American economy and creating higher standards of living. During the four decades between 1899 and 1937 the number of persons in this country engaged in all manufacturing industries combined roughly doubled, but in this same period there was a four-fold increase in output. In other words, there was a decline during the 38 years of 50% in the number of workers employed per unit of product; that is, manufacturing productivity increased 100% from the turn of the century to the period just prior to the outbreak of World War II. In the *distribution* of goods and services, on the other hand, Professor Slichter is the authority for the statement that there has been no increase over the last 60 years in productivity per capita of persons employed. Over this period, while the volume of the distribution job has grown it has steadily required more people to handle it; and the increase in the size of the job and the increase in the number employed in distribution have run just about neck and neck, with no increase in over-all productivity. Basically, the reason for this situation is familiar to all of us, namely, that we have not yet applied the power of the machine to the job of merchandise distribution.

Retail Unionization and Productivity

Nevertheless it is high time that distribution made some advances on the productivity front. One factor pushing in the direction of increased technological efficiency in distribution will be the continued trend toward unionization. Just as the wage demands of organized labor have forced manufacturers in the direction of technological improvement, so the increased trend toward unionization in distributive occupations will have a similar consequence. Increased productivity of industry is at bottom the chief basis for the advancing wage level, and distribution is at least to some extent in competition with manufacturing for its labor force.

Therefore I think we had better examine every possibility that exists for applying machines and technology to all the parts of the distribution job that do not involve actual contact with the customer; this means primarily all the functions of merchandise handling and record keeping. And I think also that we had better re-examine the possibility of extending more widely the use of automatic vending machines to handle actual sales transactions. The growth of this method of merchandise distribution has been slow, and there seems to be some very obvious limitations; but with all the technological developments of the wartime years we may find more possibilities opening up.

Quite another line of development which promises to help raise productivity in distribution is along the lines of further *integration.* Such few reductions as have been achieved in distribution costs here and there over the past 25 years have been mainly attributable to integration of functions. Up to this time the chief applications of this integration principle have appeared in combinations of the retailing and wholesaling functions; but more and more concerns today are turning their attention to the possibility of applying this same integration principle to the relations between distributors and manufacturers. For the most part, such applications of the integration principle at the level of manufacturer-distributor relations presumably will take the voluntary rather than the corporate form.

There may be possibilities also for increased distributive effi-

ciency in further extension of what used to be called, rather disparagingly, "scrambled merchandising." It is now commonplace for the five and dime operators to sell radios; automobile tire stores apparently are going to sell refrigerators; and it has been reported that filling stations will be utilized, in one instance, at least, as order offices for mail order concerns. No doubt many of these scrambled merchandising ventures will turn out less successfully than their sponsors hope; but this is an area of exploration in which smart merchandisers ought to keep poking around. Don't forget what a revolution in the publishing and distribution of books, with marked benefit to the public, was brought about by the chance remark commonly attributed to Al Smith: "Who the hell ever goes into a bookstore?"

So far we have been talking primarily about the challenge to retail distribution to contribute to high-level employment by helping to foster an expanding American economy. But an expanding economy alone is not enough to meet our social objectives. The forces that have rallied under the banner of full employment also demand *stability* of employment. Here is a responsibility which retail distribution in the past has perhaps not considered especially important.

One of the most important contributions which retail distribution could make to economic stability would be to increase the propensity to consume. I have no intention of here becoming involved in discussion of the mysteries of business cycles; but looking ahead to a time after the current catching-up period is over and after the current extraordinary requirements of the world for new capital have been met, most economists quite generally agree that economic stability would be promoted if people spent a somewhat higher proportion of their incomes. Year in and year out in the United States people spend about 89% of their incomes on consumption. If it were possible to raise that percentage from 89% to 92% or 93%, that would constitute a substantial contribution to economic stability. There, certainly, is a challenge to retail distribution to make spending more attractive.

Another contribution which retail distribution can make to economic stability is through a wise use of consumer credit. In a market such as we have today the continuation of some curbs on consumer credit is the part of wisdom. At a later time the stimulus to spending that can be given by an expansion of consumer credit will be very important.

It is perhaps superfluous to point out that retail distribution can exercise a very desirable effect on the stability of the economy as a whole by refraining from speculative buying. Generally I think this lesson has been pretty well learned by retailers, and I personally see little likelihood of a repetition of the speculative excesses which characterized 1919 and early 1920, in the inflationary period after World War I. Nevertheless, this admonition against speculative buying is one which we need to remind ourselves of periodically, because here and there members of a new generation of businessmen may be prone to forget the painful lessons learned by their fathers.

I think another important contribution to economic stability could be made if retail distributors would stop being slaves of percentages. We all know that at a time of business depression and price decline the percentage cost of doing business advances quite sharply, and at such a time management naturally seeks to lift markup percentages to cover the higher expense percentages.

It seems to me quite plausible that if retail distributors could develop some new management yardsticks that would emancipate them in some degree from the slavery of percentages they might well find that sales volume could be better maintained in a period of depression, with, incidentally, good effects on the percentages.

And now let me recapitulate the main argument. We are not going to get full employment by passing laws. The challenge is squarely up to private enterprise to provide a high and stable level of employment. That is a challenge that applies to the field of distribution as well as to the field of production, and in the field of distribution it applies particularly to retail distribution. A mere increase in employment in distribution, which is inevitable anyway, is not enough. Retail distribution can meet the challenge in two principal ways: first, by contributing to an expanding economy in the United States, and second, by contributing to a stable economy in the United States. Retail distribution can best contribute to an expanding economy in the United States by expanding itself, by undertaking a tremendous task of creative merchandising and demand stimulation, and by increasing its over-all efficiency. Retail distribution can best contribute to a stable economy in the United States by helping to develop a greater propensity to consume, by making a wise use of consumer credit, by refraining from inventory speculation, and by lessening its own fluctuations, which are in part attributable to a too slavish adherence to percentages.

Problems After Victory

(Continued from page 377)

a solution for war. It is a long, tedious process of trial and error. There is much more intelligence on the part of labor and management in their approach to the problems before them today than there was 25 years ago.

Sometimes we become disgusted with government and think government ought to step in and handle these affairs expeditiously and fairly. This is Monday morning and sometimes we engage in the pastime of being a Monday morning quarterback. Those of us not directly engaged in these contests cannot appreciate all the reasons for one decision or another. Bear in mind that there is a tremendous pressure in this country to produce and buy, and eventually that pressure will exert itself. Conflicting forces will be brought together. Formulas for economic peace will be worked out. We only hope that government will not have to exert too much pressure, for if it does both sides will lose an independence of action. The loss would be contrary to the American system of enterprise.

Benefits of Post-War Planning

We are better off after this war than the last because during the course of the war thought was given to post-war planning and ways and means by which reconversion could be provided in order to make peacetime goods. I think we were all struck by the fact that a week ago when the Committee for Economic Development released its figures these showed that in spite of strikes at the present time we have more people engaged in industry than in any other peacetime period in our history. A tremendous job of reconversion has already been done. It is because of that fact that I think the public mind is hopeful for the future in spite of the period through which we are now passing.

As distinguished from the last post-war, millions of our customers now hold long-time government securities. In the financing of this war the banks have helped the government sell these securities to their customers. On December 19, Secretary Vinson wrote a letter of congratulation and appreciation to Mr. Rathje, President of the American Bankers Association, saying:

> Now that the Victory Loan, the last of the big public bond drives, has been successfully completed, I wish to express through you the Treasury's deep appreciation to the banks of the nation for their wholehearted support of the war financing effort.

This has been accomplished at a low interest cost to the Government and in a manner which has best served our national economy by absorbing the surplus funds of non-bank investors and giving over 85 million Americans a direct financial stake in their country's future welfare.

Banks and bankers have utilized their professional skill in this great selling task by furnishing leadership and volunteer salesmen to many of our State and local War Finance Committees. They have served without compensation in the sale of securities, and have contributed generously of their own funds in supporting the Treasury's advertising and promotion programs.

We have a responsibility to these people to do all that we can to see that the purchasing power of the dollars they will eventually receive for these bonds will not be seriously impaired.

Government expenses are bound to be high in comparison to the last post-war. After the close of the last war the Government took 5 to 6% of the national income to conduct its operations. Before the First World War, government expenses took a little over 1% of the national income. After this war, government expenses may require 15 to 20% of the national income. Therefore it is necessary that everything be done to see that the Government does not assume unnecessary expenses adding to the total of the debt.

ABA Opposes Spending Measures

A year ago the ABA determined to oppose actively any legislation in our field which would add to the public debt unless the expense was directly related to the war effort. We have not changed that policy.

It was for that reason that the Association last month opposed the General Housing Bill. We sent every bank a statement of our position and our testimony. As in the case of the last war, there is a housing shortage after this one, but the current housing shortage is no excuse for the Government to obligate itself for billions of dollars of expenditure and credit in the future. There is nothing in the General Housing Bill which helps this housing shortage of the present time. It is not billions of Government credit that is needed but it is building. We must devise ways and means of keeping down building costs of houses of less than $10,000.

The desire to build is here on the part of the people. The people already have money; they have credit, and institutions such as banks, insurance companies and others have credit facilities available to supplement what is in private hands. We then said that the need was for materials and labor. Since our protest, the Government has taken steps to divert materials to meet this current housing shortage. When we have an ample supply of labor to go with that material, houses will be produced and the housing shortage will be on the way to solution without adding to the public debt. Banks and other institutions in the mortgage field are far better equipped today in both funds and management to help solve the housing problem than at any other time in their history.

A few years ago millions of boys left their schools and colleges and jobs to go to war. They now return as veterans. Here is a group of millions of men in an age bracket where their thinking will be a dominant factor in American political and social life for the next generation.

Under the so-called Bill of Rights, the banks and educational institutions have an opportunity of great service to these men. Many of them will wish to continue their schooling. Many others will wish to exercise their rights under the act to build homes, to buy businesses or farms. Two years ago the Association set up a committee to deal with these questions. Much work has been done but yet much remains. If the proper type of credit work is performed by the financial institutions under the provisions of this act, it will not be necessary for the Government to add to its debt load in any appreciable degree in order to carry out the provisions of the act. Thousands of veterans have already come to our banks all over the nation and we hope that more of them will come to talk with us about their financial problems and their outlook.

Wants End of Guarantees

From an economic point of view this was a guaranteed war. Labor, industry, investors, bankers, were guaranteed against loss by the Government. The kindest thing you can say about war is that it is a social phenomenon. Therefore, the risks involved in it were socialized. But now we have come back to peace. We have said we have fought a war to maintain the American way of life—which is the enterprise system. You cannot have an enterprise system if the Government is going to guarantee you against all risks in times of peace. Some people call it a profit system. It is also a loss system. But the essence of it is that individuals and private institutions are willing to assume their risks in the hope of profit. Anything else is not a private enterprise system.

If we are going to keep the debt down in the domestic field the Government has got to contract rather than to expand its guaranteeing functions. Last year the Smaller War Plants Corporation asked for an extension of life for two and one-half years. We opposed it on the grounds that it was a wartime institution, that it should be extended only for a year, and if the war were still in existence it should be extended for another year. Congress compromised between our position and the position of the Smaller War Plants Corporation and extended its life for 18 months. However, the President has announced that the corporation will be liquidated during this month.

We opposed the continuation of the Smaller War Plants Corporation as a peacetime measure. Now the Government has liquidated it. What are we going to do? Unless we make good on our assertions about credit service of the last two years we are apt to see another corporation established by Government to take over the job.

What Banks Are Doing For Small Business

During the last two years the Post-War Small Business Credit Commission of the American Bankers Association has done an educational job with the banks of the nation, and at the same time we have told the public that the chartered banking system was willing to assume the risks necessary to keep small business alive so far as credit is concerned. We have pointed out why the banks are able to do this job either by themselves or with their correspondent banks. And in addition, we have brought into the picture a new credit instrumentality called the credit group.

The banks of New York were the first to set up a credit group of 100 million dollars. This was an act of leadership worthy of the strength of New York banks. That has been followed by 46 other groups throughout the country. These credit groups now have resources of some 750 million dollars to assure so far as credit is concerned that people with character and ability, no matter how small their enterprise may be, can secure bank credit.

There was a time two years ago when a great many bankers thought that the Smaller War Plants Corporation would be continued as a permanent competitor of our banks. The Association combated that idea, step by step. Now the Smaller War Plants Corporation has been liquidated and we must see to it that every instrumentality in the credit system is alert to the problem that is imposed upon us; see to it that credit is granted in a way that will add to the production of goods and services, especially in the small business field.

At its annual convention last month the American Farm Bureau said in a resolution:

> We view with concern the growing tendency to expand greatly the number and scope of Government lending agencies and to bring about undue dependence upon Government credit. In view of the enormous debt burden of the Federal Government, it is time to call a halt to this alarming trend.

That has been the position of the ABA for a number of years. We welcome this attitude on the part of many millions of farmers.

After the last war, banks were questioned about their soundness and security. We will not face that test in this post-war. Why? Our test will this time be our serviceableness. Will we render a complete and mutually satisfactory service to individuals, firms, and partnerships?

The banks are ready. Our correspondent banking system is set, and beyond that the 47 credit groups are organized and functioning. We are determined to meet the test of service which this post-war period has offered.

There is a race on today between money and wealth. At the moment money is ahead. If it keeps out in the front we are headed for inflationary chaos which no Government control can stop. Money exists in abundance everywhere in the world. Even in the countries that are broke, money exists in abundance. But the world is short of wealth — wealth represented by food, clothes, machines, equipment, services. This is an impoverished world.

Less Money, More Wealth

America is its greatest hope, for here we have a chance of recreating wealth. We have the major stock of machines, tools and materials. We have a lot of money, too, and unless we create things in sufficient quantity to parallel our money stock, our inflationary tendencies will go ahead. Money will win the race, but it will be an empty victory because our money will be of little value.

Some say we will restore prosperity, the balance between money and wealth, because of low interest rates. I feel, however, it would be more accurate to say that if we have prosperity it will be in spite of low interest rates.

We must do all we can to facilitate the production of goods, the creation of wealth. We must also do all possible to keep down the public debt. If these things can be done we will tend to balance our tremendous supplies of money with an adequate supply of goods and wealth and hence avoid inflation.

The Tragedy of Industrial Conflict

(Continued from page 382)

is still a frighteningly large group who have even flunked that course and who have not revised their political or economic or sociological thinking by so much as a footnote. They are useless and unpleasant citizens, but not dangerous. Let them lie. As for the rest of us, we should not discount hindsight too much, especially if it is of the honest, amateur kind. We know now that many of the paths we followed in business, in practical politics, and in education, were wrong in many respects, but they had this virtue—that they did carry us forward. Technical and scientific men were perhaps the least offenders and the greatest ground-gainers. They have gone farther and straighter than most because they were dealing with nature in the raw and not so much with nature in the so-called refined, or human, state. But even the men of science have had a nasty jolt. Their assiduous researches have led them straight to the secret of atomic energy, and their achievement has at least temporarily scared their fellow-beings and many of their colleagues into a jelly of apprehension. If the world were to vote today to turn back the clock to before Hiroshima, I am not at all sure but what 'those in favor' would be in the majority.

And yet that is a very foolish thing. Dr. Gallup can measure human forces but he cannot stay or undo them. We long ago drew the lines and put in motion the forces which led us surely and inevitably to the atom bomb. Now we must live with it and meet the new challenge which it offers before it destroys us. Just as long ago some of our non-scientists drew the lines and put in motion the forces which today have threatened to paralyze and demoralize our whole economic system. If a million men walk the picket lines in America, and their savings, and industry's resources, rust and rot and disappear, that too is another kind of atomic bomb which threatens the existence of all of us. And I am sure that if America could turn back the clock somehow to full employment and industrial peace by the process of taking a vote, it would do so overwhelmingly. And in doing so it would no more rub out the inevitable than it would in voting away the atom bomb. Industrial strife is here. We must live with it, too, for these unpleasant and tragic hours, and learn to meet its challenge before it destroys us.

That is why this group is important, and all the others like it. Our only hope, today as always, lies with men who are not ashamed to learn, men who put methods ahead of goals, men who will scrutinize and analyze the past as critically and honestly as a scientist or engineer, and then apply what they have learned to the problem confronting them. If there is one thing above all others that distinguishes a man of learning—and it makes no difference whether his school is formal or informal in character—it is tolerance. A man may have a mind as open and wide as the horizon itself—or he may have a horizon as narrow and confined as his mind. With intellectual tolerance comes good will. These are old-fashioned words for old-fashioned concepts, and what a mighty need we have for them today!

The other day a fairly reasonable man of my acquaintance was criticizing the press for the part which he, at least, believed it to be playing in aggravating our present management-labor troubles. This was not petulant or childish criticism. He, too, believed that the only solution to these troubles would come from the earnest efforts of men of good will and intellect on both sides of the question, and therefore he blamed the newspapers for reporting—and thereby magnifying by the very application of editorial technique—the hostile, angry, belligerent statements that were made. He credited the press as the catalyst which was producing the great amount of heat and the modicum of light that seemed to aggravate labor-management relations.

I agree with his conclusions as to what is happening, but not as to the responsibility of the press. Newspapers for the most part do a fair job of reflecting factual situations. It is true that by their effective reporting and efficient dissemination of news they make certain that more and more people read the hasty words of angry men, but the initial responsibility is not theirs. They are simply a conduit for both the venom and the nectar which issues from mortal man—and venom makes better reading. My point simply is that good will is not in the ascendant, on the industrial front, and it must be if we are ever to learn the answers.

Anyone who throws the first stone at such a juncture runs a grave risk of being beaten to death in the next edition, but I am going to venture the observation, as gracefully as I can, that labor has won most of the honors to date for bad manners in public. The managers of industry may have been guilty of many faults; they have been well and frequently catalogued; but this tendency to hurl bad names and harsh accusations is not generally one of them. I do not mean to be heard as saying that all of the good will is on management's side, but they are usually too conservative to produce flashy repartee.

Union spokesmen, on the other hand, do not seem to be so hampered. I wish they were. I wish they were just as cautious and painstaking and colorless in their public utterances as corporation executives usually are. I wish that for their sake, and for all of our sakes, because angry men—especially earnest and honest angry men—make themselves too easy prey for the calculating and vicious manipulators of violence who have tried to wreck the United States since its birth, and who are with us today.

You are all aware, I am sure, that I come here tonight out of days and weeks and even months of wrestling with the immediate problems of the labor relations of the General Electric Company. They are largely those of the whole electrical industry, and even more. As every newsboy knows, they are also the problems of all industry. The ugly word 'strike' with all that it comprehends in the way of violence and waste is very much with us now, and until events cast it out of the news we cannot go forward and do the things we have to do as a nation to put the war behind us. We have exchanged one tragic set of circumstances for another. In war we knew where we were going and what we had to do. We had our opponent well measured, and we were united in our fight to lay him low. Now we have lost that unity and that strength, and we seem to be futilely lashing out in all directions and only getting tangled deeper in the web as the days go by. There is no clear-cut enemy in this industrial conflict, and the real tragedy is that so much of the time we seem to be flashing away at those who are really on our side, hurting them and hurting us and wasting the precious days that should be spent in growth. We are going to harvest wounds and scars that will be worn for a long time, no matter what happens. Any party that wins a clear-cut victory in industrial strife does so at its own expense. Any new power that is built on selfishness must maintain itself by violence, and it faces a day of reckoning that is sure and complete in its consequences.

There has to be another solution, and it is the road to that solution that I am more interested in exploring. At the same time it is hard to keep your mind on long-range solutions which require the continued application of the intellect along scientific lines when you find yourself in the middle of a fight. The citizen who suddenly finds himself in jail can be excused if he shows more interest in getting out than in criticizing theories of jurisprudence or searching new legal techniques.

I have no intention of arguing the case of my own company, or even of management generally, on this occasion. If you are interested you can find the statement of our position in the daily newspapers. I will only say now, because I do think it has a bearing on my real subject, that the position we have taken, the policies we have announced, the offers we have made, have been honest and deliberate, rather than tactical. A large corporation is a very complex mechanism, for all of its human and mechanical talent, and one on the outside has no conception of the difficulties involved in coming up with a simple answer, particularly a statistical answer. I confess that today it is almost impossible to know from day to day how many plants we have or where they are located, how many employees we have, what their average wage is, whether or not they belong to a union, how much we are producing and what is happening to it, what are the cost of that production and what are the selling prices. The answers are in the machine, true enough, but it takes time to get them out—and often it takes so much time that they are no longer the right answers. I have watched this process particularly in recent months as the machinery of reconversion gathered speed, and as the clouds of labor trouble gathered, and I have some idea of just how much perspiration and how many hours of effort are poured into the process of finding a simple answer, applying the factors of change and judgment, and then staking perhaps millions of dollars of investors' and workers' money on the published result. The next thing that happens is that you find your offer refused, or your answer thrown back in your teeth almost in a matter of minutes, by some unofficial spokesman or commentator who blithely announces that you are misrepresenting facts, misleading the public, and apparently can't do simple arithmetic. I wonder at this omniscient power of these lighting calculators. I wonder where they buy their crystal balls. And I wonder, somewhat bitterly I am afraid, why responsible people in high places in public life are so eager to adopt such answers and act upon them. Mere repetition and volume seem to weigh unduly in the scales of credibility.

There is a terrible tragedy in the making for the American people, a tragedy of inflation, unemployment, and domestic chaos which can only have international repercussions, unless we can bring to bear on this problem some of the common sense and intellectual zeal of which we are capable, and do it soon. The greatest tragedy of all is that it could be prevented. It seems to me that the great irony of our present situation is that management and labor are fighting their fight on entirely different levels; they are not even talking about the same things. It is as if a great debate were going on with one side taking the affirmative of one question and the other taking the negative of an entirely different question, one that was decided long ago by history and is now academic. It doesn't make sense. The pressure machinery of organized labor, and it is an admirably organized machinery, is being directed against an opposition that no longer exists, which died in the days of the great depression. It is a technique of attack that takes no cognizance of the controlling factors of material costs, labor costs, manufacturing facilities, price controls, supply and demand, selling costs, and the one inevitable and inexorable fact that we first have to produce and sell our goods before we can collect our price from the customer. Every hour that we stand still in industry we discourage the investment in our businesses of the risk capital that every business needs. Not only does business need it, but the investors themselves need it, who include the postman, the policeman, the stenographer, the housewife and every family that has a bank account or owns an insurance policy. The need is mutual and crying. For at least a half dozen years the best brains of our economy have been planning peacetime reconversion, since before the beginning of the war itself. Private enterprise, awake at last to its real responsibilities and obligations to the future, rolled up its sleeves and expended millions of dollars and millions of hours on a vast blueprint for tomorrow, designed to bring us greater prosperity than we had ever known, designed for full employment, designed for better living, designed for intelligent marketing, designed for fine working conditions and a true recognition of the social responsibilities of everyone—and that blueprint tonight is not only on the shelf but the clock is ticking away the possible hours during which it can be used. The great manufacturing plants of America look more and more like deserted villages. The most alert marketing machinery ever devised has nothing to market. And the workers of America, given the opportunity to share to the fullest extent in this dream which lies beneath their hands, are committed to idleness, to living on their wartime savings, to building up pockets of resentment and distrust.

This is what I mean by saying that management and labor are not talking about the same things. It is not in industry's power to grant most of the demands that are made on it today without turning around and adding this new cost to the price paid by the consumer, and we don't want to do that because it means adding to the inflationary spiral and is an endless process. There is one other possibility, one that we foresaw before the close of the war and incorporated into our plans. We knew that if we could make our people more productive, through their own efforts and through the introduction of better methods and new facilities, it would be possible to pass on the fruits of greater production. We were aware of the tremendous potential markets ahead of us. We thought we had some fresh thinking on marketing and distribution which would eliminate waste and reduce selling costs. We knew, as every manufacturing man knows, that mutiplying our volume for any product once we had set up to make it and taken care of initial costs could mean a greater return than before even on smaller profit margins. But it seems perfectly plain to me that these are things that have to be demonstrated. Business cannot be expected to mortgage these unrealized sales and pay over labor's increased wages in advance of their being made. That practice brought the city of Chicago close to bankruptcy some years ago, when it paid the salaries of city employees with warrants that had not been collected in taxes and would not be for a long time to come—and when taxpayers found out about it they quit paying taxes. That is just what could happen to our market.

It is tantamount to giving up the enterprise system, because obviously bankrupt business can only continue to operate by some form of government subsidy, and subsidy means control, and control means introducing a whole host of factors that are foreign to the way we do business. The distinguishing characteristic of private enterprise is that it pays its way, makes a profit, and stands on its own feet. Do we now want to give that up as a way of life and go along with professor Laski and a state-planned economy?

I don't think so. Moreover I don't think that the rank and file of labor think so, either. I don't even think that most labor leaders think so, and that is what makes their position completely unrealistic. They are using the techniques of a generation ago to accomplish the objectives of a generation ago without realizing that those objectives have already been achieved. Labor has won its fight against managerial selfishness, and doesn't know it.

It was not my purpose to recite much of the facts of our present controversy. It is impossible to settle that controversy here, and from here on we will have to deal with it on a day to day basis, hoping and praying that in the process of settlement none of us will be forced to do irreparable harm to our economic system. But this seemed to be a good opportunity to remind you, or tell you if you did not know, of the high-calibre socially-consicous, intelligent job of planning the postwar years that was done by many men, companies, and agencies. To me it is proof that we must persistently employ the same intellectual techniques to find our way permanently out of industrial strife. Although we find ourselves in jail, and in need of an immediate bail bond, let us buckle down to this task of thinking our way out, and of making it impossible for us ever again to be in such a situation. At a time when our leadership is needed so desperately by the rest of the world it is a national tragedy to find our great economic machine threatened with complete demoralization because of the inertia or ignorance of many, and the helplessness of many more.

We spoke earlier of the senselessness of trying to vote away an atomic bomb or an industrial crisis. It is too late for that. But if we are convinced, as I am sure that all reasonable men must be, of the wisdom of the democratic process; of the time-tested value of negotiation, mediation, and judicial arbitration as established by law; of contract obligations that can be enforced on both parties to a dispute and not just one; of equal protection under the laws and obedience to civil authority as established by the constitution—then let us seek these characteristic American remedies through intelligent legislation and quit drifting down the road to tragedy.

To such an objective we can apply our learning and our good will. To such a purpose we can recover and rededicate our great strength and national unity. And when we achieve it we can stop being ashamed and once more take pride in a job well done.

William Todd in NYC

William Todd, Inc. is engaging in a securities business from offices at 37 Wall Street, New York City.

Myers Opens in Raleigh

RALEIGH, N. C. — Harry W. Myers has opened offices in the Odd Fellows Building to engage in a securities business.

Upholds Loan to Britain

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economic dislocations which brought on depression.

Why Agreement Is Recommended

The reasons for the recommendation by the Executive Committee of the United States Associates that Congress approve the agreement are:

1. High employment and a rising standard of living in the United States are best promoted by a multilateral system of world trade. Unless the United Kingdom, with her key importance in world trade and exchange, is enabled to participate there will be little chance of reestablishing such a system.

2. If the credit is not extended, there is grave danger that the world will be divided in government controlled economic blocs such as in the past have restricted trade, engendered distrust, and promoted economic warfare.

3. Within a year from the effective date of the agreement, the British would pay for all future purchases from other countries in pounds which are immediately exchangeable into dollars or other currencies. They would also make all instalment payments on their existing debts to other countries in free exchange. This means that if any of the supplier or creditor countries prefer to use the payments for the purchase of American goods, Britain would pay in dollars rather than in pounds. In addition, the British would agree to abolish the sterling area dollar pool.

4. The agreement is a necessary foundation for the successful operation of the International Monetary Fund, the International Bank for Reconstruction and Development, and the International Trade Organization.

5. The line of credit is to be used to purchase goods and services in the United States; to meet transitional postwar deficits; to maintain adequate reserves of gold and dollars; and to assume the obligations of multilateral trade. It is not to be used to liquidate obligations to third countries outstanding on the date of the agreement.

6. The British would agree to join with us in effecting as between ourselves and urging upon other countries, sound international economic policies including the gradual reduction or elimination of trade preferences — including the Empire Preferences—tariffs, export and import controls and a large variety of other obstacles to the restoration and expansion of world trade. These policies and procedures are outlined in the "Proposals for Expansion of World Trade and Employment," presented to all governments by the United States as a basis for discussion at the forthcoming International Trade Conference, and the Government of the United Kingdom has stated its full agreement on all important points.

Does Britain Require this Credit?

The following points have convinced the Committee that Britain could not assume these commitments, including abandonment of her exchange restrictions, without the line of credit proposed:

1. Britain's most pressing need is immediate working funds with which to pay for imports required to repair her plants and transportation facilities extensively damaged by the war, for retooling for peacetime production, and for raw materials required in the operation of her industries.

2. Her food requirements are urgent. Her imports of food pre-war amounted to two-thirds of her consumption, reduced during the war by rationing and enforced home production to a bare minimum of one-third.

3. Her main source of income from abroad is her export trade, which in 1944 was down about 45% in value and 70% in volume, compared with 1938. Her income from foreign investments is down by about 35%. Her merchant marine has been cut by war losses and her receipts from commissions and other services likewise have been reduced.

4. Reflecting pressing import needs and reduced means of paying for them, Britain's balance of payments deficit has been put at roughly $3 billion for 1946, with the likelihood of a cumulative deficit of at least $5 billion before equilibrium in international payments can hope to be achieved.

5. In addition to the problem of paying for current imports, Britain has also to deal with some $14 billion of foreign-owned sterling claims piled up against her largely as a result of her large expenditures abroad during the war.

What Is the Alternative to American Credit?

If the United States declines to extend the line of credit proposed, Britain has but a single alternative. She must return to those countries in the sterling area and elsewhere to whom she is already heavily indebted and seek to obtain additional credits to tide her over the period immediately ahead. These countries will be reluctant to lose what is already owing them or the markets for their products which Britain offers. Only by granting such credits will they have any assurance of ultimately receiving British goods and services for the funds they have already loaned during the war or of having outlets for their exports upon which they rely in normal times.

There would thus be a tendency for the British and those other countries to be fenced off from the rest of the world by discriminatory trade and exchange arrangements. It would mean continuing the system of bilateral trade and economic blocs controlled and regulated by governments that had its beginning a decade or more ago, and was the source of bitter discrimination, irritation and shrinkage of the volume of world trade. A closed sterling trading area would inevitably lead to others, and to the economic wars and political domination that they entail.

Will the Credit Assist Britain to Nationalize Its Economy?

Foreign governments do not need dollars to nationalize their industries. British properties to be transferred from private hands to public ownership will be paid for in pounds sterling, not in foreign currencies. In fact, without the credit, further governmental control and direction of foreign trade is inevitable, and the pressures for increased government operation of key domestic industries would become more insistent. The true purpose and effect of the loan is to arrest the trend toward nationalization.

The Executive Committee directs the Chairman to transmit this statement to the membership of the United States Associates, and the appropriate legislative and executive officials of the Government, and to take such other steps as he may consider appropriate in support thereof.

Expansion of Export-Import Bank in Offing

(Continued from page 383)

few months. Whether such a request for expansion of the Export-Import Bank occurs soon depends largely on the prospects of the new International Bank for Reconstruction and Development, these sources believe. It may take quite a while for that new Bank to become a really substantial factor in the American market for foreign securities.

The World Bank Delayed

The international meeting at which the Bretton Woods Fund and Bank are to be organized has not yet been formally convoked, but it is expected to take place somewhere in the South, probably in early March. The International Bank for Reconstruction and Development is designed to function mainly as an institution for the guaranteeing of bonds offered by borrowing governments to the investment market. The market, of course, primarily will be that of the United States. The world Bank, it is thought, will have to feel its way rather carefully with small offerings at first, these to be increased as confidence is displayed by investors.

Serious problems for the flotation of the securities of or guaranteed by the world Bank may arise, in view of the many restrictive laws which govern the investments made by insurance companies, savings banks, and trustees.

Also there is the question of registration of the issues with the SEC. Some American officials would like to waive that requirement.

If SEC registration for these securities is not waived, there is the question of how long the registration procedure for a given issue of bonds is likely to take.

Thus, the writer is informed, the situation being fluid, the Export-Import Bank is likely to have to carry the burden of lending dollars to foreign governments during the remainder of this calendar year, quite apart from the possibility that Congress may assign the handling of the $4.4 billion loan to Britain to this Bank for servicing. That will require specific provision in the loan legislation, but such British-loan legislation is not now likely to be made the vehicle for expansion of the Export-Import Bank's powers to make or guarantee loans to countries other than the United Kingdom.

New Personnel of Export-Import Bank

In recent weeks and days the Export-Import Bank has been expanding and strengthening its board and staff. William McChesney Martin, Jr., former President of the New York Stock Exchange has become the Chairman of the Board of the Export-Import Bank, a position formerly held by Mr. Leo Crowley. Among the newer members of the board are Mr. Clarence E. Gauss, former Ambassador to China and Minister to Australia; Mr. Herbert E. Gaston, onetime newspaperman and latterly Assistant Secretary of the Treasury under Secretary Morgenthau; and Mr. Lynn U. Stambaugh, onetime National Commander of the American Legion. Stambaugh's election opposition is credited with the defeat of Gerald Nye as Senator from North Dakota.

This is the organization which will carry the ball, at least until the world Bank and Fund get started. If the Bretton Woods understanding is adhered to, the World Bank will be headed by a Britisher as President, while the Fund will have an American Manager, presumably Mr. Harry D. White, now Assistant Secretary of the Treasury.

What to Do About Strikes

(Continued from page 370)

the current crisis brought on the same scurrying for a solution.

Did the Smith-Connally law help in any measure to solve the labor problems of this country? The plain answer is no. If anything, it made matters worse. That law is still on the books today, so you can judge for yourself. (Up until recently, the 30 day strike vote provision of that law was being used by unions to further their demands by advertising, at Government expense, their strike threat and getting it reinforced by the overwhelming vote of the employees. As a result Congress felt constrained to withhold funds for the taking of strike votes, and that provision of the Smith-Connally law is now inoperative.)

It may sound trite, but the plain fact is that at this juncture we need some statesmanlike leadership from Congress on the labor problem. A law passed in haste can do much more damage than good. We've gone through a lot already; a little more time should not prove fatal.

It seems to me that what is called for is a thorough study of the causes and possible cures for labor strikes by a committee of Congress determined to get at the facts, not to make out a case against labor or management.

This simple question could be put to the committee to serve as the basis for its study: What should be done to settle labor disputes where collective bargaining and conciliation have been exhausted and the parties are still at odds?

The President's proposal for the appointment of fact-finding commissions with a cooling-off period is a possible answer to this question. Will it do the trick?

So far the reception Truman's proposal has received from both industry and labor has been a lot more frigid than the cooling-off period. Industry is disturbed about the power to subpoena with the right to inquire into company books and records. And labor, needless to say, hardly warms to the limitation, even for a 30 day period, on its right to strike.

The publicity thus far given to the President's proposal has placed major emphasis on the words "fact-finding." Very little attention has been paid to another function the commission would perform—that of making recommendations in settlement of a labor controversy.

Actually, the latter is the most useful and important part of the proposal. When the fact-finding commission in the General Motors dispute reported the other day the company, the union, and the people of this country were mainly interested in what the commission had proposed to settle the fight. The findings of fact were definitely secondary.

What's more, if G. M. had participated in the hearing and both sides presented evidence on the economic issues in the dispute, it would have been a physical impossibility for the commission to have completed its work in the allotted thirty days. Even so, it went over the limit. And that would be true in practically every other major labor dispute if the emphasis was on finding the facts through a formally conducted hearing with lawyers presenting evidence through testimony and documents and briefs and oral arguments.

As all know, a third party coming into a hotly contested labor dispute can frequently propose a compromise solution that proves to be just the catalytic agent needed to bring the parties together. He, or they, if it is a commission composed of more than one man, can hear both sides to the dispute and then propose a solution accompanied, if necessary, by an opinion explaining the basis for the decision. Such action won't settle all disputes, but it can be helpful in getting many of them resolved.

It should not be necessary for such a party to have subpoena power. As a general rule, the "facts" will not be in dispute. Where they are, the third party can resolve the issue on the basis of what is presented by the other two parties, taking into account the refusal of either to produce such material as the third party considers necessary. As a practical matter, that situation will not arise more than one time in a thousand.

The War Labor Board functioned from January 1942 to June 1943 without any subpoena power and had no trouble on that score. It was given subpoena power at the end of that time mainly because John L. Lewis refused to appear before the Board in the coal dispute. This power was used several times thereafter but only for the purpose of bringing some individual before the Board. It was never employed to get any records that the Board might have wanted access to, despite the fact that the Board handled approximately 20,000 labor disputes during the war.

As to the "cooling off" period, the bill introduced by the Administration is understandably painful to labor at least on this score. It says that a strike is illegal for 30 days once the President has appointed a fact-finding commission. It makes no difference under the bill whether or not a strike is in progress. In other words, the President is given the power to break a strike already under way. Now it's one thing to say that there should not be any strikes until collective bargaining, mediation, and hearings before a body with power to recommend have all taken place. It's quite another to say that, in the absence of such established procedures, a strike called in a wholly proper way can be made illegal by the President's intervention.

The trouble is that the Truman plan starts at the very end of the labor dispute, after the parties have worked themselves up to fever heat. It doesn't deal with any of the steps that take place before the strike or threatened strike. It seems to me that the procedures of collective bargaining and mediation must be integrated into any over-all plan for the settlement of labor disputes through commissions with the power to recommend a solution. That, in fact, is the essence of the Railway Labor Act on which the Truman plan is supposedly based. But only one part of the Railway Labor Act is copied in the President's proposal—the very last part.

What is needed, therefore, in my judgment, is a plan for the settlement of labor disputes that would start at the beginning and carry through to the final stage. This can be worked out only if the whole matter is studied with great care. There are many pitfalls which cannot be avoided if legislation is slapped together in a great hurry and presented as the correct answer. This final solution will come about only through the most careful and statesmanlike consideration.

Labor Inflation

(Continued from first page)

I think that what we need in this country is more clarity, more understanding about some of these problems. Just plain loosely worrying about them doesn't do any good. It would do a lot of good if more people undestood what was going on. We hear all these terms: purchasing power, capacity to pay—and this means different things to different people — and productivity and efficiency; and there is no use throwing these terms around; we'd better sit down and try to find out what they mean and what they show.

It reminds me of an incident a couple of months ago when I was sitting at my desk in the office and I opened the morning mail and got an invitation to go to a scientific society meeting, of which society I was a member. I looked at the program and the whole-day session was going to be devoted to the atomic bomb. I looked at the rest of the speakers and put the thing aside, pretty well making up my mind I wouldn't go to that meeting. I hardly laid this aside when the telephone rang and a friend of mine called up and said, "Are you worried about the atomic bomb?" and I said, "I have plenty to worry about without worrying about the atomic bomb." He said, "Have you any ideas about the atomic bomb?" and I replied, "I'm sure I haven't any ideas about the atomic bomb." He sounded more and more disappointed and finally he said, "If you get any ideas about the atomic bomb, call me up, will you?" and I said, "All right, I will." He was on the program. He was going to read a paper about the atomic bomb.

Worrying About the Labor Problem

Well, that's the way it is with the labor problem. We have a country that is worrying about it and I don't know that that is going to do any good.

Now, what is it that we worry about? Well, one thing we are worrying about—and it is the source of our policy, if what we are doing is the thing you can call policy—is that we don't want to repeat the mistakes of the last war. Apparently we made mistakes in the last war and we don't want to repeat them; which is a very laudable purpose.

I read a paper by a friend of mine the other night, a very smart fellow, on some other phase of the last war, and this war, and he takes up this question about repeating the mistakes of the last war. He says, "Sure, you don't want to repeat the mistakes of the last war"; but he raises a very interesting point—a simple point: What he said was that before you can avoid the mistakes of the last war, you have to know what those mistakes were—which is a very simple thing. Nobody stops to think about what those mistakes were because, while you may be bent on avoiding the mistakes of the last war, if you weren't very clear as to what they were you might be making them all over again.

Inflation After Last War

What do you think some of the mistakes of the last war were? Well, to put them under one name, what we did after the last war was to inflate. We did it during the war and immediately after the war. And inflation took many different forms: prices went up very fast; wages went up very fast; inventories got accumulated at a rapid rate. Then, suddenly, there came a crash.

I began my career in this field around that time: that is, my practical career. I had been a teacher before that; and I was involved in a negotiation in Chicago and was advising a union. It was in the summer of 1920 and they were asking for a 15% or 20% increase, or something like that, so you see these figures you hear nowadays aren't anything new; we had them after the last war, and have them now. We had everything that you have now: a negotiator, a union and an arbitrator, and they were of the same type as the men who are chosen now; they were chosen because they didn't know anything about the subject: There is an ideal arbitrator.

The arbitrator, in addition to being a college professor, was a professor of ethics, so he approached this thing on a high moral plane. He sat listening to the arguments for or against a 20% increase. He came in one day and immediately went into another room, and some of the other arbitrators came in and talked to him a little bit, and he came back looking quite glum. Then he didn't go on with the proceedings, but called the union leaders over and went into another room with them, and they came back, they all looked glum.

I was a newcomer—I didn't know what was going on. The first thing we knew, he adjourned the negotiations, and when I got an opportunity to go around to the union people to see what had happened, I found that what had happened was this: the manufacturers who went around to see the arbitrator in July, 1920, showed him a little piece of paper. What they showed him disturbed him very greatly. He went and called the union and showed them the same thing, and it disturbed the union very greatly. Do you know what they showed him?—they showed him cancellations of orders they had received from their customers, that's all. That was the time when the big cancellations of orders came in from all the retailers in the country; so when you get those, you don't start talking about a 20% wage increase. They resumed in September, 1921, when they were talking about a wage cut instead of a wage increase.

We don't want to repeat those mistakes. We don't want to repeat the inflation, the building up of inventories, the run-away race between prices, etc.

The Present Situation

Now, what is the present situation in the United States? What is in the background? What is going on? And it is what is in the background that will determine what happens; that is the cause of all of these happenings that you read about in the newspapers and have been reading about in the newspapers since last August and will continue to read about in the newspapers for some months to come.

Let me tell you about what the background of this present situation looks like to me. First of all—and this is perhaps one of the most important factors in the American situation today, has been for some months and will be for a long time in the future—in this country we have today the largest demand for goods and services that this country has ever seen. That means a tremendous amount of good business, provided everything is all right—everything is satisfactory. Of course you can spoil even the best business situation; that isn't so hard to do. Well-meaning people can spoil a good business situation if they put their minds to it. But we don't want to do that. We have the makings of a terrific demand.

The Building Shortage

Let me give you one illustration of it: the building industry. Let me show you the statistical picture a little bit. According to statistics, the figures, we reached the peak of the last building boom in 1925; not in 1929, but in 1925. After that, it began to go down. We had a little recovery in building in the 1930's, but that wasn't anything to boast about—that was when we were spending a lot of money to promote prosperity. So we have had, you see, every 20 years—in 1950 it will be a quarter of a century—25 years in which building has been declining; and even the periods of recovery didn't reach a very high level.

Do you know what happens to buildings over a period of years? If you don't get a new supply, they become obsolete, get out of repair; not to speak of new, attractive buildings we'd like to have if we could get them and had the money to buy them. So that is one side of the picture. Twenty-five years is a long time in the history of an industry—an essential industry—when the supply has been going down.

Now the other side of it is, we have had, in this period, a tremendous increase in the population. We added 10,000,000 from 1920 to 1940; we added another 8,000,000 from 1940 to 1945; and the way the thing looks now, we are going to add another 8,000,000 people from 1945 to 1950.

Take that period of years—leaving out the five years from 1925 to 1930—put those two things together: a supply of building over a period of a quarter of a century and adding to the population something like over 25,000,000 people during that period; well, it is a wonderful setup for beautiful business, provided everything is right — provided there are no large, disturbing influences that "put the skids" under that. When you go around into business in the United States you can duplicate that everywhere. You don't always get businesses in which you take so long to get away and complete a project as it does in building, but in practically everything—goods, services, durable goods, consumer goods, light goods, heavy goods—there is this enormous unsatisfied demand, the like of which we have never seen in this country—the size of which we have never seen in the United States.

Now, when you get a picture of that kind, you get a picture of a situation in which people, if they can afford it, will bid for goods. They will bid for goods and bid for services. If there wasn't a single trade union in the United States today, if we were really working—wages would go up, in spite of everything you hear from Washington about unemployment and things of that sort; and you can see, by following the figures, that, even with the strikes, we don't have any unemployment—which is a great pity, but we don't have it, and they're bidding.

If you go out into the markets where people are unorganized you will find their rates going up all the time and the rates are very high compared to anything ever paid before in the United States. It is a kind of a "bull" market, and a "bull" market is a market in which there is a scarcity of things and in which people bid for those scarce things, they bid up the price; that is what you have on the stock market; that's all there is to it. You make rules and say, "You can only borrow 50% or 75% of what you buy"—and finally you have to pay all cash—and still it goes up (or may go down, for other reasons—I'm not making any stock market forecasts here). So that is the situation.

The Enormous Purchasing Power

Now, the other side of that picture is that there is, in the United States, an enormous purchasing power. People have laid by great sums of money—all kinds of people. I don't mean every individual, but all classes of people. I wouldn't even cite the figures to you because they are fantastic figures and they exceed anything of the kind we have ever seen in the past. They run into the billions and billions of dollars, a lot of it held by business but a very great amount of it held by private individuals throughout the country. So you see, there you get the other side of the equation, a perfect setup of it: an enormous scarcity of goods and services and no lack of purchasing power.

Well, if we were really actively producing things now—if we were actively engaged in turning out these goods and services—in addition to these past accumulations of purchasing power we would be pouring into the market all of the purchasing power that comes out of daily production. For example, the 250,000, 300,000—whatever the number of people—of the General Motors who now happen to be authorizing a strike, or the 750,000 steel workers who were working yesterday and aren't working today: all that purchasing power would be flowing back and adding to that supply; and that is something!

Now when you get a situation of that kind, if there was nothing else you'd be safe in saying that was an inflationary situation. By "inflationary situation" I mean there would be a bright, powerful tendency to push up the prices simply because of shortages and simply because it takes a long time to make up those shortages and because there is a vast amount of unused and ready purchasing power scattered throughout the country.

Warn People of Inflationary Forces

Now when you are in a situation of that sort and you're afraid of these explosive forces, these inflationary forces, if you're afraid of them then it seems to me the only thing a public official can do is to warn the country about these forces. That is the only policy I can think it is conceivable for responsible public officials to have, and I can't imagine a responsible public official anywhere who doesn't see that that is the situation in the United States today—or was the situation, just before these strikes. Under these circumstances there is only one kind of a policy the country can safely follow, and it is a common-sense policy. As a matter of fact, all policies have common sense: if anybody comes around and tries to sell you a policy which violates your common sense, you'd better throw him out and pay no attention to him. It is simply common sense.

Now a common-sense policy would dictate to this country that, in the face of powerful, explosive forces of this kind, we'd better be pretty careful about what we do. If we do anything in the direction of pushing up prices, we'd better do it slowly and moderately. If we do it fast and do it immoderately, why we will simply add another powerful force to these forces that are already so big that they can easily get out of hand.

A Labor Inflationary Setup

Well now, let me look at other elements in the background in this country today and see how they operate. On the labor side, about which I have said nothing yet, we have a perfect inflationary setup. I am not talking about individuals, I'm talking about a situation. We have a perfect inflationary setup. Let me show you what it is.

In the first place, practically all of the important industries of the United States today are organized. That is the first time that has ever been true in the United States; it wasn't true during the last war or after the last war. It is true, in the United States today, that all of the important industries are organized; and organization is a force for lifting prices. It does a lot of other things, but that is one of the things it does and that is the most important thing it does and the thing it does most, usually. But our situation with respect to organized labor is even more complicated than that. Not only do we have a movement which has thoroughly organized all of the important basic industries of the country, but, from this point of view, it is a movement which is divided into four competing groups. It is not a unified movement. I don't know how it would behave if it were unified, but I know how it behaves when it is divided into four competing units.

Let me tell you what these units are. There is the AFL, there is the CIO, there is the United Mine Workers in District 50, and there is a group of independent unions of all kinds. Now, when a labor movement is divided into four groups of that kind, what do they do, particularly in critical times like these? They compete against each other for membership, for political influence, for prestige.

Competition Among Labor Organizations

How do you take members away from somebody else? Let me give you an illustration. There is a big metal plant of one of our very big companies down at Huntington, W. Va. The CIO comes down there and organizes that plant and they operate under the contract. Huntington, W. Va., happens to be in one of the coal districts. John L. Lewis' District 50 is down there, and he also wants members and has a right to go out and get them; so he sends out organizers into the Huntington plant and they tell the fellow-workers in that plant they'd better join District No. 50. What have they got to gain by it? —only two possible things: District 50 promises them better conditions than they got from the CIO (and it is easy to promise); District 50 can also promise them higher wages and smaller dues. That is a paradise, you see. So, after a few months of that sort of thing, the majority of the fellows slip out of the CIO and join District No. 50, and then District 50 goes to the Government, gets itself elected and they come back to the firm and negotiate for better terms. Why? Because they have already promised their members they are going to give them better terms, and it's a gentleman's agreement.

Well, that competition goes on all the time and goes on in an explosive period like this, and pushes up the rise. You have one fellow promising one rate and another fellow comes along and promises a higher rate.

Take this Western Electric strike: it's a beautiful illustration of that. It is a complicated strike. Western Electric Company employees are organized in an independent union; what we used to call in this country a "company union," and what some people call a "company-dominated union"—that's another kind. Anyway, it's a union. In the past few years the United Electrical and Radio Workers tried to organize the Western Electric Company employes and take them away from their independent union; but they didn't want to join the CIO. The CIO went to Washington (that's where everybody goes, sooner or later; that's one of our troubles). What do they go to Washington for? Not for a visit, but for the purpose of bringing the Government into this Western Electric picture and getting the Government to use its influence to say the Western Electric independent union should be thrown out and the CIO union put in its place. We have an obliging Government and the Government will do

things like that, on occasion; so they sent out investigators to Kearney, N. J., and they came out with a decision: that the Western Electric Company employes' independent union is not a proper union, it is a company-dominated union—that is, a union really in favor of the employer; and that is a crime in the United States. So this Washington board issue an order that that union should go out of business, that's all. The technical word for it is "disestablish": it's a very decent word. What it means is, you "disband." It is as if somebody came in and said, "We don't like this society of yours; it's going to be disestablished." The CIO comes in, goes to Washington, and they win the election and they have another union.

Well, the Western Electric independent union are tough fellows — fighters; most unions aren't. They know the ropes. Everybody knows the ropes nowadays, so nobody lies down any more. These are valuable pieces of property, so the Western Electric union says, "To —— with you," and they go on a strike. Of course everybody in Washington was indignant about the idea of anybody striking about the Government. That was a couple of months ago. Well, they went back to work.

Now comes these wage demands and the Western Electric union, as an independent union, has made up its mind it will prove to the Government and to its own members that when it comes to being a tough organization it's a good deal tougher than any CIO organization is. That is the form of this competition they take against the other unions. They will pull the whole telephone industry out for the purpose of making their point.

That is the situation we have in this country. We have these competing units and they are the source of a powerful force, lifting what?—lifting costs, lifting prices.

Internal Dissention in Unions

In the trade union movement there is another factor moving in the same direction and that is an internal factor. Take some of these unions existing today; they're powerful organizations. Take the United Automobile Workers: they had 1,250,000 members a little while ago.

How do you run a union like that? It's a difficult union to run. You have political factions; you have a General Motors faction; you have a Ford faction; you have a Michigan faction, a Wisconsin faction, etc. These factions compete against one another. If a fellow is a good talker, if he is firm with his demands, he can outbargain all of his fellow-officers. If a fellow-officer thinks it is a good idea to settle for 15%, he'll come along and say, "You shouldn't settle for less than 25%," and he'll get a following. It is easy to get a following on a thing of that kind. That is what has been going on with these unions. It is a very difficult political situation. They get afraid of him.

Well, if you look into the labor movement today, big as it is, it is divided into these competing factions on the outside and politically it is a great, long distance from having settled down internally; so these competitive forces work inside and outside and they tend to push up the bids, and if you push up bids on this kind of a price—it doesn't make any difference whether this is a price of labor or the price of something else—you get exactly the same kinds of effects.

Government's "Double Talk"

Now, in addition to these three elements in the background, namely, the great shortage of goods, the great volume of available purchasing power, the competitive character of the labor union, we have a new element in the situation in this country which wants to do good to everybody—and that is always a dangerous thing to have in the country—wants to be everybody's friend, and therefore keeps on meddling in everything and may spoil the whole "meal" as a result. I don't need to mention this other element which plays a very large part in this labor situation: I mean the Government.

The Government, you see, can be 100% against inflation in everything it says. I didn't read the President's speech, I just read the headline; but what he said was against inflation. That's the great danger: the Government can be a 100% against inflation and do everything in its power to make inflation inevitable. That is what you have to guard yourself against.

Let's talk about the Government a little bit. Let me go back into the history of what the Government has done in this situation. When this situation began to get under way after the war was over and we were going into this postwar period, the Government began to lay down policies, and you can understand these policies best if you talk about concrete cases because all policies are concrete cases, it's what you do in this case—in the other case. What's the difference about these general remarks you make?—It's what you do here, at Huntington, West Virginia, or at Pottstown, Pennsylvania, or elsewhere: wherever it may be. Well, the Government began to talk about this postwar period and it was "double-talk," and that is what really got it into trouble. It was "double-talk." And what I mean when I say that, is that the Government indulged itself in "double-talk": well, what the Government said was—and you'll all remember it; it still is saying it a little bit, but it's much more of a whisper—that what we have to guard against in this country is inflation or deflation. Inflation and deflation are at two opposite poles. If you guard yourself against deflation you have to do one thing; against inflation you have to do something else; and you can't be guarding yourself against both things at the same time, because you will be in an awful mess. Yet that is what the Government kept saying all the time; they said, "There is a danger of inflation and a danger of deflation."

Now if there was a danger of deflation, the Government said, "You ought to raise wages right away, so as to get purchasing power and prevent deflation." But if you are going to protect yourself against inflation, then you want to be very careful about raising costs.

Take the war, for example. During the war, the Government was afraid of inflation, and Government, during the war, knew that if you raised wages you would raise prices; that if prices went up, wages would go up more; that if you wanted to prevent prices from going up, you would have to control both wages and prices. That is what the Government knew during the war. That is the reason why the Government invented the "Little Steel Formula." That was a very simple thing: it said that wages are not to be allowed to increase more than 15%; that wasn't because we had a Government in Washington full of inhuman people who didn't want people to earn more money—that wasn't the reason; the reason was, that the Government knew very well that if they raised the rate of wages, prices would go up unavoidably, so that a higher money wage would not earn more money for people because their purchasing power would go down and nobody would be any better off and might be conceivably worse off.

When the war was over, the Government threw that idea "out the window" and said: "You have to guard yourself against deflation, guard yourself against inflation, therefore you have to raise wages and therefore you can't raise prices"—and they came upon this impossible formula.

Now another thing the Government did in its confusion after the war was to mix into relations between employers and employees, and the Government did it in this way—and in a very dangerous way, and I think it is the cause of most of our trouble today: The first thing the Government did was to say—and this is a very dangerous thing for all governments to do unless you're going to be the kind of government that regulates everything: "There has to be a substantial increase in wages in the United States." Then, later, another officer of the Government said, "Wages have to go up 15% this year and 10% the next year." Then another official of the Government said: "You can raise wages 10% this year and you don't have to increase prices."

Those are interesting things to say, and if you say them to a whole country many people believe them, and, even if they don't believe them, they use them. If a Government official said, "You can increase wages 25%, it's going to do everybody good," they can go back to their people and say, "This is what the Government says, and that's what we're going to stand out for."

Now when a union makes a demand to an employer and the employer replies to that demand—or vice versa—then the only way you will ever get a settlement between those two people is to let them alone; because what are they trying to do? They are trying to make an agreement between themselves; they are trying to assume responsibility for an agreement. That is exactly what went on in General Motors, for example. Reuthers said, "I want

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Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

Fear psychology grips market at old technical obstacle. Consider reaction normal opportunity for re-entrance on long side with Monday's lows being critical.

Three factors came along and knocked this market down. The most apparent, at least apparent to the public eye, is the strikes. The next was the 100% margin rule. Though both have given the market public considerable fodder for conversation and viewing with alarm, the important fact was that the reaction came at a point that was obvious to the student of markets.

* * *

Last week I pointed out that the averages were beginning to nibble at the lows of 1929, a level which represented plenty of potential resistance and I doubted that there was enough buying to overcome the selling that was waiting to meet it once prices reached certain levels. You saw what happened. The news hurried the process along but you will note that news has a nasty way of coming along and tripping the market at a point previously indicated by technical factors alone.

* * *

In the same column I said that the market "will have run its first course by Thursday or Friday of this week." I needn't belabor the point. You saw what happened. Now the question again comes up—what now?

* * *

I have to refer you again to last week's column. In it I said ". . . once the first burst of buying is accomplished the usual procedure is dullness followed by reaction. It is this reaction that becomes highly important. If stocks hold within a certain zone with dullness increasing as they approach the lows of that zone, it can be assumed the main trend is still up. If certain stocks (leaders) start eating into these lows, while secondary issues remain strong, the signs point to a breakdown. The final assay is still some time away. But it is definitive enough to warn against new buying at this point."

* * *

Take a look at that paragraph again and compare it with what happened the last few days, and what you see going on today (Tuesday). You will see that stocks did go down. But if you take a look at the support levels you will see that even though the decline was sharp prices did not break any lows. Roughly these lows (referring to averages) are about 194 to 196. The critical point in the same average is about 190. If they break that you can be almost certain the bull market is over, at least for more than just a few weeks. But even if that would happen it need not necessarily be followed by an immediate break. Things just don't happen that simply. What will probably occur is a sharp rally which could get everybody's hopes up, but a rally that would be nothing more than just a last gasp. As all the foregoing is not anticipated you can forget it for the time being. I'm merely throwing in to show you some of the machinations.

What is actually happening doesn't indicate either a bull or a bear market. In fact recent action is far from bearish if it's anything at all. True, prices shot up and just as rapidly fell back. But despite the frightening headlines the market only took back part of its recent gains.

* * *

For the past two weeks I have been recommending buying certain stocks at specific prices. Despite the sharp break of the last few days of last week, and Monday of this week, only two of the four stocks became available. The question is whether or not prices were too low to start with. For with such a break it seems reasonable to assume that all stocks would have become available. From a day to day study of the price structure it now looks as if Monday's low of 195.82 would be the important one to watch and by the same token the lows made that day by individual issues should be equally important. In any case it is probable that these lows will not pass untested. So until another reaction carries them to that level the buy figures remain the same.

* * *

You now have Baldwin Loco at 34. The stop is still 31½. You also were able to buy Waukesha Motors at 32½ with a stop at 29. A. M. Byers to be bought between 24 and 25, stop 23, and Flintkote between 35 and 36, stop 34, were unavailable. I advise keeping buy orders intact.

* * *

More next Thursday.

—Walter Whyte

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Labor Inflation

(Continued from page 431)

30%." General Motors said, "We can't pay you anything." Reuthers insists he wants 30%; General Motors says, "All right, we'll pay 5%." Reuthers insists he wants 30%; General Motors comes along and says, "All right, we'll give you 13½c." Why? In order to keep wages up to the increase in the cost of living between the present time and January, 1941. So two parties are arguing. It's just like a business contract: you're buying a piece of property and you bargain the thing out with each other.

Now, sooner or later, those fellows would have reached a settlement if they'd been let alone; but suppose you are bargaining like that, one side with the other, then an outsider comes in (and an influential outsider: one whose word carries a lot of weight) and that outsider says, "Don't settle here. If you don't settle here and you come to Washington we'll get more money for you." Do you think they would settle? They can't settle; why should they settle? It's impossible to carry on collective bargaining or negotiations under those conditions. And that is precisely what has happened here in this situation: They were negotiating along all right, they were under pressure inside to make a settlement—inside the firm, from various forces exerted in a firm; inside the union, from forces exerted inside the union.

After all, you want to remember the people out of work in General Motors have lost, on the average, over $400 a head, and men don't want to stay out because of a couple of cents, they will make a reasonable kind of settlement; but into this picture comes an organization with enormous prestige and says, "You don't have to do that. The proper way to settle it is to settle it sensibly and in moderation"; and the first thing you know, the President appoints a fact-finding board and that makes a decision and you get a new figure, and that new figure will be the ruling figure because one of the negotiators can't afford to turn it down, no matter what he thinks about the thing. So you see you have, in the present situation in the United States, these four powerful influential forces—whatever you want to call them—that are pushing costs up and pushing prices up. And once they get moving that way—and they are moving all the time that way, every day, even under the OPA (they move slowly, reluctantly, but if you follow their decisions you will find they make an adjustment here and make another adjustment there)—they are hard to stop. Many of their adjustments I don't understand. I read that an automobile price on a base car should be 1⅛% higher than it was in 1942; but then I read of a lot of engineering changes going into the car. One engineering change cost $78, another engineering change cost $52, another $83; if I had had a piece of paper I could have added those up and could have reached a 10% or 15% increase in the cost of the car. I assume they are legitimate, but there are many ways of doing this kind of a job and their prices are going up.

Wage Demands and Prices

Now when you get a movement of that kind, then the next thing happens inevitably; it happened before, it will happen this time. What happens is that prices begin slowly to move up.

Take clothing: Clothing is already 50% higher than it was before the war. That is the official index. Going into the store, it looks higher even than that. My guess is that it's much higher than that.

Take food: Again going to the official index, that is up 50% more than it was before the war. I was talking to a very noted statistician the other day and asking him what he thought would happen in the next year or so. He said he thought prices were going up 25% to 33%.

Suppose they do go up in a year-and-a-half and you begin to see the movement. I don't know whether any of you have looked at these official indices; they're pretty interesting. They come out every month: usually two or three months late, so you shouldn't get excited. (Laughter) It's like looking at the temperature of a sick patient as it was a couple of months ago. So you look at it. I looked at it in 1919 when we had this big error: "We don't want to increase today," but in January the cost of living went up 0.3%; in February, 0.1%; in March the "patient" recovered, and the index of the cost of living went down 0.3%; so everything looked lovely. But you come to the end of the 12 months and the index of the cost of living went up about 15%. That is the reason why, in 1941, we invented the "Little Steel Formula."

Now when you get a situation of that kind you get a whole new series of wage demands. Why? Because wage demands are related to what is happening. One time you get a wage demand; what for? —to maintain take-home pay. Next six months you get a wage demand; what for?—to keep wages up with the efficiency of industry. Another six months you get another wage demand; what for? —to keep wages up with profits. After that you get another demand; what for?—to keep wages up to the cost of living. Suppose you get the cost of living raised up 6% in eight months or even a lesser time; then you are going to get a whole new wave of wage demands, and they will be based upon this reason: It will be said that, "We made a wage settlement back here in January of 1946" or "in February of 1946" or "with the oil workers in December of 1945. We settled for 18%, and we believed when we were settling at that time that prices would remain stable. Now we get these figures from Washington and we know they're wrong and we know that the cost of living has gone up even more than they have shown, but even those figures show that the cost of living has gone up 7%, 8%, 9% and we have to maintain the purchasing power of the wage we settled for back in December, 1945," and you have a whole new series of wage increases.

Present Strikes Hard to Settle

That is the order in which things have happened before and the order in which things are likely to happen now. So that what we have a right to look forward to—and I'm not talking about this present wave of strikes because they are going to be awful hard to settle; we stuck our foot in and it will be hard to pull it out, and it isn't easy to see who is going to do it or how—but the fact is, we have done everything possible to repeat the mistakes we have made in the past, by allowing all these forces that are operating anynow to move up costs and prices, to operate more vigorously than they would under another kind of public policy; and that after these waves of strikes are settled and people go back to work, there will then arise a new set of demands in the effort of the people who made these early settlements to cause the wage rate to keep pace with the cost of living.

Now that is the kind of a situation I think we are in in the United States today. I have gone beyond my time, but I just want to have one more word to say in conclusion.

Employers and Unions Should Settle Their Own Disputes

I am clear in my own mind that, so far as the settlement of these kinds of questions in the United States is concerned, we are not going to settle these things properly unless we do a very difficult thing; but the longer we keep from doing it, the longer we delay doing it, the more difficult it will be and the worse the problems we will create for ourselves. That difficult thing that we have to do is to induce, persuade, encourage employers and unions to settle their own problems; because if we don't induce them to settle them by themselves, it is going to be hauled down to Washington every time, and you can do that during a war—you have to do it during a war; nobody worries about the economic mistakes you make during a war because, from an economic point of view, a war is the most wasteful thing a country can indulge in—but you can't afford to do it in peacetime, we will haul it down to Washington where it will become a political football, which is what it is today, and we will never get a sound settlement—never get a settlement—without strife, and the settlements finally battered out will have been very costly in civil strife in industries and they will be unsound settlements.

Now I know a good deal about American industry and organized labor, and I am convinced that, let alone and required to settle their own differences, they could have settled every one of these questions, not without any strikes—you are bound to have them in a period of this kind—but without this succession of the nation-wide, industry-wide strikes which we are now facing in this country. One of the principal reasons why we have these strikes is that the negotiators are led to believe—and they are right in believing it—that they don't have to settle "on the ground"; and if they are led to believe that, and they can make better terms by going outside, they won't settle and they will go outside and try to get it settled there on terms better for them, worse for their members, worse for their country, good as the terms may happen to look at that time.

10 Stock Groups Likely to Out-Perform Market in 1946

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time that costs in all lines of enterprise will be higher—however, in many cases they will be offset by inevitably higher prices. Thus, on the whole, 1946 profit trends could compare favorably with the record earnings of 1944.

But, whereas 1944 high profits were spread over many industries, 1946 earnings are likely to be much more selective. Firms which have been dependent chiefly upon war earnings are likely to suffer sharp declines. On the other hand, industries that have built up huge volumes of deferred demand are likely to sustain their high earnings.

Thus, a determination of the 1946 outlook for stock prices will depend upon good judgment in appraising the outlook for various industries, and choosing those which have the best prospects for sustained high profits. Herewith an attempt is made to comment upon a number of industries which appear to have bright prospects for the coming year, in the light of the demand for their products and services. It is interesting that the technical position of the stocks in most of these industries is such that they show poorer-than-market trends for several months back—that is, they have not run up parallel to the low-priced gambles which have been so prominent on the tape in recent weeks. This is as it should be, in that the industries (and most of the stocks) selected as being attractive for 1946 are backbone contributors to any period of prosperity.

In addition to the ten groups briefly discussed, these sections might also be considered attractive: Amusement, Apparel, Copper, Paper and Rayon.

Advertising — Printing and Publishing—Eventually, the present strike wave will end and industry will attain its long-delayed volume production, especially of all kinds of consumer durable articles. A number of companies, having abandoned their usual peacetime production during the war, are capitalizing reconversion to enter new fields, competing with older established companies. Thus, competition for markets — household appliances are an excellent example — will be extremely keen. A most logical way to stimulate the demand for products will be through advertising, particularly in periodicals. That manufacturers believe this advertising to be of utmost importance has been demonstrated by the fact that, during a good part of the wartime period, they have used periodicals to keep their names and peacetime products in front of the consumer. The larger producers especially could not afford to lose the benefits of keeping their names constantly before the public.

Periodical advertising has been severely curtailed during war years by the serious paper shortage — the demand for advertising space continually exceeded the available supply. As paper stocks increase in 1946, periodicals will be able to expand their advertising pages substantially — and thereby their income from advertising. 1946-1947 earnings are estimated to be considerably higher than those of recent years, or even those of the immediate pre-war years. Thus, printing and publishing companies may be expected to continue to be one of the most popular groups during 1946.

Automobiles — The wide publicity given to the General Motors strike, and the attendant wage negotiations with the other automobile companies, have obscured the gradual rise in the rate of automobile output since the first of the year. Last week, Packard Motor Car was added to the list of producing manufacturers. Although Ford's January goal of 2,000 units per day will not be realized because of the recent long-drawn-out shutdown of the two leading glass producers, it has passed the 1,200 mark and is steadily gaining momentum. Chrysler, which has not been releasing figures, is believed to be turning out around 1,000 units per day. Studebaker, which joined the ranks of active producers recently, is working toward the 200-a-day mark and is aiming for a rate of 400 before long. Hudson has attained about the same rate.

Although settlement of the General Motors strike was undoubtedly complicated by the Fact Finding Board's decision in favor of a 17.5% increase in wages, it is believed that pressure of circumstances will bring about a settlement of this strike before very long. The glass strike has ended. By December, General Motors will probably be able to reach a total (for the year) of 1,300,000 units (disproportionately low because of the strike), with Ford turning out approximately 1,300,000. Chrysler, 1,200,000, and the smaller companies increasing their production relatively. Total production for 1946 is now estimated at around 4,000,000 units, which is slightly less than the 1941 total of 4,838,561 (U. S. production of cars and trucks). On the demand side, certainly, the companies have every stimulus to produce continually and at a rapid rate, for at least 18 months and probably two or three years, before the desire for new cars is nearly satisfied. The inevitable increase in wages will put pressure upon net income—in fact, reports for the first half of 1946 are likely to make rather poor reading. However, it is believed that pressure of demand will force the OPA to permit some price increases, and year-end figures for 1946 may well show earnings at approximately the 1941 level. Thus, although the present average price of the listed stocks of automobile companies is approximately 18 times the 1941 earnings, there appears to be considerable room for improvement before an overpriced condition prevails—this despite the fact that the automobile issues made their low in December, 1941, and have been trending steadily upward ever since. The outlook for the truck companies appears equally good—and their recent relative market trend has demonstrated even greater technical strength.

Building — As is the case with many other industries, material and labor shortages are keeping the construction industry from embarking on the biggest boom of all time. Never before has there been such unfilled demand for housing — a demand now in the emergency stage. It will probably be mid-year before building material producers begin to operate in volume. But authorities in the field doubt that more than 500,000 housing units can be completed in 1946, as compared with an immediate demand for 1,200,000 units. The demand is constantly growing. Moreover, many manufacturers find it impossible to make profits on building materials under present price ceilings—another serious deterrent to volume production. It is estimated that the cost of new production will be at least 35%-50% higher than that of the Summer of 1939. Priorities for homes under $10,000 place increasing strain on manufacturing costs. Nevertheless, definite improvement will be seen by the mid-year and the end of 1946 should see home-construction activity going forward on a gargantuan scale—total dollar volume of new construction in 1946 is estimated at around $5 billion. Price relief of some kind appears inevitable—and with the opportunity for profit, those interested in building shares will find them increasingly attractive. Housing is the outstanding industry of the next several years—once transition problems are overcome, annual volume exceeding $10 billion is expected over the next five years.

Chemicals—The chemical industry continues to be the most romantic and perhaps the most dynamic, in that constant changes and progress are opening new fields of chemical development. War-time shortages of many natural materials forced our Armed Services and many producers to turn to chemistry for alternate materials. In many cases, these are proving as good and in some ways better than previously used products. The chemical group is and has for a long time been considered a very high-grade investment industry. With its steady long-term growth trend, it provides a measure of safety for which investors are willing to pay highly. There seems to be little doubt that, through 1946 and for a number of years to come, the chemical industry will continue to be one of the most attractive, not only for investors but for shorter-term traders who wish to provide a measure of defense against rapid movements in more volatile stocks.

Electrical Appliances — The present shortage which is nearest to the average consumer's heart, is

the shortage in all kinds of electrical appliances, radios and various types of other household equipment. The pent-up demand is stupendous. Moreover, consumer purchasing power is at a record high. Once they can get started, there is little doubt that makers can continue for many months at a high rate of production—this despite the fact that the industry is extremely competitive and the war's end has brought a number of new companies into the field.

The major obstacles to quick starting are the lack of materials and parts and the failure of the OPA to set profitable prices—or, in some cases, any prices at all. Prices thus far have been set approximately at the 1942 level, although costs are higher than in 1942 and likely to go up even further. Most manufacturers do not expect to reach the 1941 rate of production until late in the year, although radio producers expect to be in full capacity by early Summer. These obstacles appear to be more than offset in the minds of most investors by the volume of potential demand and the belief that price problems and material shortages will soon be solved. The stocks of many electrical appliance companies are relatively behind the market and at the present time offer very attractive opportunities for purchase.

Machine Tools—When the war ended, great concern was expressed as to the future of machine tool producers. It was believed that there would be a huge surplus of war-time tools on hand which could be converted to peace-time usage. However, thus far (for several reasons) the expected decline in the demand for these products has not occurred. First, in an effort to offset higher wage costs, there is the demand for more highly productive machine tools. Managements are seeking machinery which is more automatic, has greater interchangeability and requires the minimum of man-hours. Machine tool makers are responding with a number of interesting new developments. One company has produced a machine with an automatic control which can duplicate one part automatically and with perfect accuracy for an indefinite period. Another is offering a drill which can be switched from one job to another in only 30 minutes and will replace the work of machines costing in the aggregate four and five times as much; still another has produced an electronic-hydraulic device which turns out finished products without an operator.

In addition to the labor-saving advantages of new machine tools, there is the demand for products by concerns which are shifting over into wholly new lines of endeavor. Moreover, redesigning of many products makes single-purpose machine tools obsolete and creates demand for new ones. Thus, the machine tool industry may be placed among those which have relatively good prospects during 1946. There are many attractive stocks which are excellent growth situations and their prices should reflect expanding trends for some time to cime.

Office Equipment—Every office worker has had first-hand experience with the vast need for more up-to-date and efficient office machinery. A great many of the manufacturing facilities for office equipment, since they were adapted to precision work, were found ideally suitable for the making of precision weapons and ordnance. Whenever office machines were available, they were immediately snapped up by the Armed Services (or high priority manufacturers), who proceeded to give them very hard usage. As a result, the office equipment makers find themselves with the largest backlog in their history. Thus far, they have been less troubled by strikes than many other consumer durable industries. However, the need to train workers to intricate jobs, added to material shortages, is delaying full production. Office equipmen shares as a whole have not risen proportionately with many other groups in the market. This is partly because they are of semi-investment calibre. Nevertheless, there appears to be considerable prospect for improvement in the price level of the group. In fact, recently they have shown evidences of more demand than had been the case for a number of months.

Railroads—There is an honest difference of opinion among investors concerning the post-war outlook for the railroads—and there are certain factors supporting both the pros and the cons. On the negative side are the inevitable slackening from the record wartime traffic; the increased costs which are sure to develop; the large volume of equipment which must be purchased; and the belief that the large rise already scored by rail securities discounts all or most of the substantial betterment in their financial setups.

On the favorable side, there are more numerous factors. First, there is the belief that no great businss boom, such as that which is expected, can be accomplished without yielding large gross to the railroads; secondly, there is the hope that post-war competition from other modes of transportation will not be as ruinous as in the 30's; third, there is the ability of rail managements to offset higher wage costs with increased operating efficiency—and tied in with this is the hope that increased costs will also bring higher freight rates. Moreover, the industry, recognizing the challenge of competition, and being financially able—as it was not in the 30's—to do something about it, is prepared to spend vast additional sums to improve its services and create greater efficiency.

Finally, railroad gross has been found to average about 5%-6% of national income. At the $140 billion figure now talked about for national income by Washington forecasters, the railroads ould realize approximately $7 billion—thus, net after taxes could closely approximate the $501.4 million realized in 1941. Therefore, on balance, the rails must be included in the list of favored post-war sections of the market.

Railroad Equipment—Closely following after building and auto production as an industry where backlog demand is extremely large, is railroad equipment. Estimates are that during the next five years (through 1950) the class A railroads will require 10,000 passenger cars, 70,000 freight cars and a large number of locomotives. These requirements are for domestic service alone. Moreover, there is a substantial export market. The French Government already has contracted for 1,340 locomotives, of which 1,200 will be made by American builders. The cost of these locomotives will be $154 million—and other countries are sure to follow suit. Thus, the railroad equipment shares should share well in a further extension of the major uptrend.

Rubber—One of the most acute shortages which has been built up during wartime in many civilian lines has been the lack of rubber. The number of truck and passenger car tires needed alone is stupendous—there are probably very few cars on the road today which would not benefit from "new rubber all around." The huge demand for these and other rubber products will probably keep the industry going at top speed during all of 1946. Expectations are that total consumption will reach 950,000 tons—a record high for either peace or war. Of the total tonnage of rubber, about two-thirds will be synthetic and one-third imports of natural rubber. Manpower shortages have been the main obstruction to full production and as workers become more available this obstruction should be cleared away. At some point—probably not until 1947—the industry will be confronted with the economic problem of synthetic versus natural rubber, but this is a problem which will probably not have to be faced in 1946, due to the relatively small amount of imports that are possible at present. Rubber stocks as a whole, like automobile issues, have been advancing steadily since late 1941. Nevertheless, they do not appear to have over-discounted their possibilities. Thus, they should continue to be popular over the coming year.

Babson Discusses Air Lines as Investments

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member that the railroads own their roadbeds and terminals, as well as their equipment.

With the airlines the situation is very different. They own no roadbeds nor terminals. The air is free to all; while the terminals are publicly owned. At any time the government could start competing air routes with little expense. This means that, however large the profits may be during these honeymoon years, they cannot last many years. Airplane traffic will increase tremendously; but this does not mean that airplane companies will always make much money. Furthermore, it strongly suggests that some airplane stocks are now selling too high.

An Investment Yardstick

One of the best yardsticks for judging most stocks is the relation of price to earnings. I try to select stocks which are selling about ten times their annual earnings; certainly twenty times is a maximum ratio. Yet, the leading airline stocks are today averaging to sell at forty times their earnings. This seems crazy to me.

Of course, there is one thing about airplane stocks which appeals to investors, viz: In order to buy an interest in 75% of the nation's rail business an investor must buy stocks of 300 different railroads. But he can buy an interest in 75% of the total air business by buying the stocks of only seven airline companies. These are American Airlines, Eastern Airlines, United Airlines, T.W.A., Pan-American, Northwestern and Penn. Central. Yet, this advantage cannot justify the big rise in prices which all have had during the past ten years.

Inflation Possibilities

Airplane stocks are no good as "inflation" hedges. They are poor "socialistic" hedges. Their value lies with the probability of huge earnings during the next few years; but then look out. Although very popular they can be very risky for the long-pull investor. Better keep your money on the ground rather than in the air! Personally, I am not keen for anything that operates on wheels and that depends upon franchises or public regulations.

The best inflation hedge is good fertile Mother Earth upon which you can live—near enough to a small city where you can get a job or have a small business of your own. The next best is a family of God-fearing children, each educated to some one profession or trade. Money invested in good land, good children and good education is far safer than in the stocks of any company operating on the ground, above the ground or under the ground!

U. S. Savs.-Loan Ass'n Greatest Year in 1944

The largest gain in assets in a single year which the savings and loan and cooperative bank system of the nation has ever experienced was achieved in 1944, H. F. Cellarius, Cincinnati, Secretary-Treasurer of the United States Savings and Loan League, reported to the League's executive council in annual meeting recently. The gain of $886,460,637 brought the business up to $7,-479,750,657 as of Dec. 31, 1944, he said. "Considering that the year in which we are now operating has been one of even more spectacular increase than last, I think there is no question that we shall be over $8,000,000,000 by the close of 1945," he said.

"Surplus and undivided profits amount to 7.8% of total assets in spite of the rapid growth we have experienced. Every factor in the statistical outlook of savings and loan institutions and cooperative banks points to a readiness to play an unprecedented part in the home ownership expansion of the next decade. Our financial position should also gain for us a new high rank among the savings institutions of the nation." He added:

"In a period of growth and reconstruction the positions of the various states in the savings and loan system are likely to change frequently. As of the close of last year, Ohio maintained not only its lead but also its distinction as the only billion dollar State. The second ranking State is now New York which had gone over $600,-000,000 by the end of 1944. Massachusetts was a close third with $593,000,000 and we had three others over $500,000,000—Illinois, Pennsylvania and California."

Loans to Belgium

Two loans to Belgium totaling $100,000,000 extended by the Export-Import Bank at Washington were made known on Dec. 20, at which time Associated Press advices from Washington stated:

"They provide for:

"1. $55,000,000 for the purchase in the United States of items approved under lend-lease before V-J Day. This credit, to be available until June 30, 1946, is to be repaid in 60 semi-annual installments beginning on next July 1. Interest will be 2⅜%.

"2. $45,000,000 to buy farm and manufactured products in this country. Advances will be made against 2½% Belgian notes which will mature on March 31, 1951 At that time Belgium will have the right to tender new notes in exchange for the original notes Under this funding arrangement the principal will mature in 30 semi-annual installments, the first ten installments at 2½% falling due beginning on Sept. 30, 1951; the second ten at 3% falling due beginning on Sept. 30, 1956, and the third ten at 3½% and falling due beginning on Sept. 30, 1961."

Calendar of New Security Flotations

NEW FILINGS

List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.

MONDAY, JAN. 28

U. S. INDUSTRIAL CHEMICALS, INC., on Jan. 9 filed a registration statement for 62,405 shares of common stock (no par).

Details—See issue of Jan. 17.

Offering—The new stock will be offered by the company to its present common stockholders at the rate of one share of new for each 7 shares held at a price to be filed by amendment. Air Reduction Co., Inc., owns 106,050 shares out of a total of 436,836 shares, or approximately 24% of the outstanding common. Air Reduction has stated that it will subscribe to all additional common shares that it is entitled to by virtue of its ownership of 106,050 shares, and it will also purchase, for investment, at the subscription price, all shares of common stock which are not subscribed for by other stockholders.

Underwriters—None.

NATIONAL MALLINSON FABRICS CORP. on Jan. 9 filed a registration statement for 123,460 shares of capital stock. The shares are issued and outstanding and are being sold by 19 selling stockholders.

Details—See issue of Jan. 17.

Offering—The price to the public will be filed by amendment.

Underwriters—The names of the underwriters will be filed by amendment.

FLORIDA PUBLIC UTILITIES CO. on Jan. 9 filed a registration statement for 6,000 shares 4¾% cumulative preferred stock, par $100. The stock is issued and outstanding and does not represent new financing by the company.

Details—See issue of Jan. 17.

Offering—The price to the public is $103 per share.

Underwriters — The underwriters are Starkweather & Co.; Clement A. Evans & Co., Inc.; Robinson-Humphrey Co.; Leedy, Wheeler & Co., and Stockton Broome & Co.

TAYLOR INSTRUMENT COMPANIES on Jan. 10 filed a registration statement for 30,750 shares of common stock, $20 par. Of the total 21,170 shares are being sold to underwriters by the company and 9,580 shares are offered to various employees of the company by the estate of Herbert J. Winn, deceased, pursuant to the terms of his will. Mr. Winn was Chairman of the company at the time of his death.

Details—See issue of Jan. 17.

Offering—The price to the public will be filed by amendment. The price to the employees is $18 per share.

Underwriters—The group is headed by First Boston Corp.

FEDERATED DEPARTMENT STORES, INC., on Jan. 10 filed a registration statement covering 151,694.15 shares of common stock, no par value.

Details—See issue of Jan. 17.

Offering—Of the securities registered, 151,694.15 shares of common of Federated are to be offered in exchange for common stocks of Wm. Filene's Sons Co., Abraham & Straus, Inc., Bloomingdale Bros., Inc., and F. and R. Lazarus & Co., subsidiaries of Federated. As to 94,035 shares to be offered, Federated is to receive 156,725 shares of Filene's common stock, at a price per unit of 1⅔ shares of Filene's common. As to 30,486 shares, Federated is to receive 15,243 shares of Abraham & Straus common, at a price per unit of ½ of a share of Abraham common. As to 23,588 shares, Federated is to receive 31,451 shares of Bloomingdale common, at a price per unit of 1⅓ shares of Bloomingdale common. As to 3,584 shares, Federated is to receive 3,259 shares of Lazarus common at a price per unit of 10/11 of a share of Lazarus common. Of the 151,694.15 shares registered, 116,315 shares were previously registered and became effective Sept. 6, 1943, to be offered in exchange for common stocks of Filene's, Abraham & Straus, Bloomingdale and Lazarus, subsidiaries of the registrant. The registrant is filing with the Commission a post-effective amendment of former registration statement, deregistering the 116,315 shares with the request that the amendment become effective simultaneously with the present registration statement becoming effective.

ADOLF GOBEL, INC., on Jan. 10 filed a registration statement for 412,899 shares of common stock, par $1. The shares are issued and outstanding and are being sold on behalf of the Adolf Gobel, Inc. Syndicate.

Details—See issue of Jan. 17.

Offering—The common stock is being offered for sale to the public on the New York Curb Exchange on behalf of the Adolf Gobel, Inc., Syndicate. The securities will be sold through regular market channels over the New York Curb Exchange at the best price obtainable in small lots so as not to unduly depress the market. The propsed stock offering constitutes 63.9% of the company's outstanding common stock. There are 12 members in the syndicate.

Underwriters—No underwriting discounts and commissions are being paid.

WEDNESDAY, JAN. 30

DOYLE MANUFACTURING CORP. on Jan. 11 filed a registration statement for 50,000 shares of 60-cent cumulative convertible preferred stock, series A, par $8, and 100,000 shares of common, par $1. The common shares are reserved for issuance upon conversion of the preferred on the basis of two shares of common for one share of preferred.

Details—See issue of Jan. 17.

Offering—The offering price of the preferred will be $10 per share.

Underwriters—To be filed by amendment.

PRINCESS SHOPS, INC., on Jan. 11 filed a registration statement for 40,000 shares 60-cent cumulative preferred stock, $5 par, and 40,000 shares of common stock, par 50 cents.

Details—See issue of Jan. 17.

Offering—The company has entered into an agreement with First Colony Corp. and Childs, Jeffries & Thorndike, Inc., whereby the company employs the underwriters as its agents to sell an aggregate of 40,000 shares of preferred and 40,000 shares of common in units of one share of preferred and one share of common at $11.25 per unit. The underwriters will offer 4,400 units to Louis Schwartz, President of the company, at $11.25, without any underwriting discount or commission. Also 2,000 units are to be offered to employees and 2,000 units to Edwin M. Reich, director and counsel, at a price of $10.40 per unit. A total of 31,600 units are to be offered for a period of 15 days to stockholders of the company at the price of $11.25 per unit on the basis of one unit for every two shares of common or preferred stock held.

Underwriters—First Colony Corp. and Childs, Jeffries & Thorndike, Inc.

SATURDAY, FEB. 2

McALEER MANUFACTURING CO. on Jan. 14 filed a registration statement for 50,000 shares 5% cumulative convertible preferred stock, par $10, and 50,000 shares of common, par $1.

Details—See issue of Jan. 17.

Offering—The price to the public will be $10 per share for the preferred and $5 per share for the common stocks.

Underwriters—The names of the underwriters will be filed by amendment.

RELIANCE ELECTRIC & ENGINEERING CO. on Jan. 14 filed a registration statement for 30,000 shares of convertible preferred stock—the dividend rate to be filed by amendment—indeterminate number of common shares reserved for conversion of the preferred, and an indeterminate number of common shares which were reserved for issuance upon conversion of its $5 convertible preferred and which were not required for such purpose.

Details—See issue of Jan. 17.

Offering—The price to the public on the preferred and common shares to be offered by underwriters will be filed by amendment. The shares of common stock to be offered are the shares of common stock to be purchased by certain of the underwriters at $21 per share and are the shares which were reserved for issuance upon the conversion of the $5 convertible preferred stock and which were not required for such purpose. The statement says the company called for redemption, on Feb. 1, 1946, all of its outstanding $5 convertible preferred, of which 6,500 shares (exclusive of treasury shares) were outstanding on Oct. 31, 1945. The holders have the right, on or before Jan. 28, 1946, to convert the same into common stock on the basis of 5 shares of common for each preferred share.

Underwriters — Hayden, Miller & Co.; Hawley, Shepard & Co.; McDonald and Co.; Maynard H. Murch & Co.; Merrill, Turben & Co., and Curtiss, House & Co.

MONDAY, FEB. 4

PRATT'S FRESH FROZEN FOODS, INC., has filed a registration statement for 450,000 shares common stock, par $1, and 120,000 stock purchase warrants for one share of common stock, par $1, and the shares issuable upon exercise of such warrants.

Address—20 Pine Street, New York, N. Y.

Business—Frozen foods.

Offering—The price to the public is $6 per share. The company has agreed to sell to the underwriters an aggregate of 120,000 common stock purchase warrants and to two individuals, who rendered certain services in connection with the financing, an aggregate of 30,000 common stock purchase warrants, in each case at a price of one cent per warrant share. The warrants entitle holder to purchase stock at $6 per share.

Proceeds—The proceeds will be added to working capital to be used for corporate purposes, principally the carrying of warehouse inventories and packaging materials and also the granting of advances or loans to packers against future deliveries. The company also intends to make a gradual reduction of its commodity loans and to eliminate unsecured bank loans, although commodity and other loans will again be made later in the year.

Underwriters—R. H. Johnson & Co., New York, N. Y., is named principal underwriter.

Registration Statement No. 2-6098. Form S-1. (1-16-46).

VERITY PORCUPINE GOLD MINES, LTD., has filed a registration statement for 250,000 shares of capital stock, $1 per share.

Address—1502 Sterling Tower Building, Toronto, Canada.

Business—Mining company.

Offering—The 250,000 shares are being offered at 50 cents per share.

Proceeds—The net proceeds to the treasury when this offering is completed will be $81,250, which it is proposed to spend under careful supervision of experienced mining engineers, the statement said. The company proposes to do diamond drilling to determine the size and commercial value of the ore bodies and to determine the best location for the shaft. If warranted, the company proposes to carry out development work. The estimated cost of the drilling is $29,500.

Underwriters—The underwriter is Mark Daniels & Co., 1421 Chestnut Street, Philadelphia, Pa., who will receive a commission of 30% and 5% additional allowance to cover traveling and advertising expenses.

Registration Statement No. 2-6099. Form S-11. (1-16-46).

PHILIP MORRIS & CO., LTD., INC. has filed a registration statement for $15,000,000 20-year 2⅝% debentures, due Feb. 1, 1966.

Address—119 Fifth Avenue, New York, N. Y.

Business—Cigarettes and smoking tobacco.

Offering—The price to the public will be filed by amendment.

Proceeds—The net proceeds will be applied to the extent required to the redemption on or about March 1, 1946, of the company's 20-year 3% debentures, due May 1, 1962, and the 20-year 3% debentures, due March 1, 1963, which were outstanding in the principal amount of $11,500,000 as of Oct. 31, 1945. Any balance of net proceeds will be added to the company's cash balances and may be in part applied to the further reduction of bank loans.

Underwriters — Lehman Brothers and Glore, Forgan & Co. head the underwriting group.

Registration Statement No. 2-6100. Form A-2. (1-16-46).

TUESDAY, FEB. 5

GULF ATLANTIC TRANSPORTATION CO. has registered 270,000 shares of common stock, par $1.

Address—935 Kingman Avenue, Jacksonville, Fla.

Business—Engaged in marine transportation on the Atlantic Seaboard and the Gulf Intracoastal waterway and tributary waterways. It also operates a general cargo freight vessel. It operates its own barge yard located in South Jacksonville. Last October the company purchased from Gulf Shipbuilding Corporation a partially completed hull together with all equipment, materials, etc. It is estimated the cost of completion will be about $1,500,000, which includes the $170,000 paid for the hull, etc. It is planned to operate this vessel between Key West, Fla., and Havana.

Offering—The price to the public will be filed by amendment. The securities are being offered initially for a period of 15 days to present shareholders under preemptive rights at a price to be filed by amendment. The holders of approximately 200,000 shares have agreed to waive their preemptive rights. The underwriter will receive 50,000 five-year warrants to purchase common stock at a price to be filed by amendment. For these warrants the underwriter will pay the company 10 cents each or a total of $5,000.

Proceeds—The net proceeds will be available for general corporate purposes pending specific appropriation of such funds by the company.

Underwriters—The principal underwriter is Allen & Co., New York.

Registration Statement No. 2-6101. Form S-1. (1-17-46).

WEDNESDAY, FEB. 6

IOWA POWER & LIGHT CO. has filed a registration statement for 50,000 shares of cumulative preferred stock, par $100. Dividend rate will be filed by amendment.

Address—312 Sixth Avenue, Des Moines, Iowa.

Offering—The offering price will be filed by amendment. The preferred stock will be offered for sale by the company at competitive bidding.

Purpose—The purpose is to refinance its outstanding 11,300 shares of 7% and 38,700 shares of 6% cumulative preferred stocks at a lower dividend rate. The company proposes to offer the new preferred in exchange for old preferred on a share for share basis with cash adjustment. Any of the new preferred not issued pursuant to the exchange offer will be sold for cash to the underwriters and the proceeds applied with treasury funds to the redemption of the unexchanged preferred at $105 per share, plus accrued dividends to the redemption date, April 1, 1946.

Underwriters—To be filed by amendment.

Registration Statement No. 2-6102. Form S-1. (1-18-46).

SATURDAY, FEB 9

FARNSWORTH TELEVISION & RADIO CORP. has filed a registration statement for 219,571 shares of common stock, par $1.

Address—3700 East Pontiac Street, Fort Wayne, Indiana.

Business—Radio receiving sets, etc. The company also contemplates the manufacture of television receivers, transmitters and studio equipment. The company's post-war program embraces activities in the field of communication electronic apparatus, including the manufacture and sale of railway and highway signalling communication equipment. During 1945 the corporation acquired, in exchange for 31,000 shares of its common stock, the assets of Halstead Traffic Communications Corp., New York City, one of the pioneers in the field of mobile railway and highway communication.

Offering—The company is offering 219,571 shares of its common stock to all the holders of its common stock and to the holders of certain options for subscription on the basis of one share for each seven shares of common held at the close of business Feb. 9, at a price to be filed by amendment.

Proceeds—The proceeds will be utilized for new studio facilities, station site, transmitter building, etc., for broadcasts and television broadcasts to be acquired and constructed in Fort Wayne, at an estimated cost of $200,000; about $400,000 in connection with the purchase of a manufacturing plant at Huntington, Ind., to increase production, and erection of a new enginering and administrative building at Fort Wayne; about $1,000,000 may be expended on facilities to manufacture additional component parts by the company. The balance of proceeds will be added to working capital.

Underwriters—E. H. Rollins & Sons, Inc. and Eastman, Dillon & Co., are named principal underwriters.

Registration Statement No. 2-6103. Form S-2. (1-21-46).

VIRGINIA DARE STORES CORP. has filed a registration statement for 90,000 shares of common stock, par $1.

Address—519 Eighth Avenue, New York, N. Y.

Business—Operates a chain of twelve retail stores selling women's and misses popular price wearing apparel, etc.

Offering—The price to the public is $5 per share.

Proceeds—The proceeds to the company are placed at $382,500 exclusive of a total of $6,500 to be received from the proceeds of the sale, at 10 cents per warrant share, of warrants entitling the holders to purchase at $5 per share an aggregate of 65,000 shares of common stock. In addition the company is offering an aggregate of 35,000 warrants at 10 cents per warrant share to certain holders. Of the net proceeds, $61,462 will be used to retire the preferred stock of subsidiary companies not owned by officers and employes. The balance of the proceeds, approximately $312,537, will be used to reimburse the company's treasury for fixtures and equipment, etc., in modernizing alteration. Any balance not so expended will be used for corporate purposes.

Underwriters—The group is headed by Newburger & Hano; Kobbe, Gearhart & Co., Inc. and D. Gleich Co.

Registration Statement No. 2-6104. Form S-1. (1-21-46).

SUNDAY, FEB. 10

CONSOLIDATED INDUSTRIES, INC., has filed a registration statement for 120,000 shares 6% cumulative convertible preferred stock, par $5, and 120,000 shares common stock, par 10 cents per share.

Address—14 North Sixth Street, Lafayette, Ind.

Business—Was incorporated on May 12, 1944, to manufacture, assemble and distribute automatic coal stokers, oil burners, low temperature home freezing units and kindred articles in heating and air conditioning. The principal activity of the company at the present time is the assembly and sale of automatic coal stokers.

Offering—The stock is being offered in units of one share of preferred and one share of common at $5 per unit.

Proceeds—Of the proceeds approximately $25,000 will be used to make the initial payment on the purchase price of a new building; approximately $150,000 to purchase new and additional machinery and equipment; $50,000 to retire a bank loan, and the balance to provide general working capital.

Underwriters—Kobbe, Gearhart & Co., Inc., and Newburger & Hano are named principal underwriters.

Registration Statement No. 2-6105. Form S-1. (1-22-46).

DATES OF OFFERING UNDETERMINED

We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.

AMERICAN POTASH & CHEMICAL CORP. on Dec. 28 filed a registration statement for 479,726 shares of capital stock (no par). The shares are issued and outstanding and are being sold by the Alien Property Custodian who directed the company to file the registration statement.

Details—See issue of Jan. 3.

Underwriters—The Alien Property Custodian proposes to sell the 479,726 shares of stock at public sale to the highest qualified bidder. If any such bid is accepted and if the successful bidder plans to distribute the shares the prospectus will be amended to include the requisite additional information. The shares to be offered constitute 90.79% of the 528,390 shares outstanding.

AMPAL-AMERICAN PALESTINE TRADING CORP. on Oct. 3 filed a registration statement for 400,000 shares of 4% cumulative preferred non-voting shares.

Details—See issue of Oct. 11.

Offering—The price to the public is $5.50 per share.

Underwriters—The shares will be sold through the efforts of the directors and employees of the corporation.

A. P. W. PRODUCTS CO., INC., on Jan. 4 filed a registration statement for certificates of deposit of $2,000,000 first mortgage and collateral trust 20-year 6% sinking fund bonds due April 1, 1948.

Details—See issue of Jan. 10.

Extension Offer—See below. The deposit of securities is desired as a preliminary step in connection with an offer of extension to holders of first mortgage and collateral trust 20-year 6% sinking fund bonds for the extension of the maturity date to April 1, 1966, and the reduction in the rate of interest to 5% per annum.

A. P. W. PRODUCTS CO., INC., on Jan. 4 registered $2,000,000 first mortgage and collateral trust 20-year 5% sinking fund bonds and 80,000 shares ($5 par) capital stock.

Details—See issue of Jan. 10.

Offering—The company offers to the holders of its $2,000,000 first mortgage and collateral trust 20-year 6% sinking fund bonds due April 1, 1948, the privilege of assenting to the extension offer providing for the extension of the maturity date to April 1, 1966, the reduction of the rate of interest to 5% per annum, the reduction of the principal amount of each $1,000 bond to $900 and to receive in consideration of such extension and debt reduction, without payment therefor, 20 shares of $5 par common stock per each $1,000 extended bond. Those assenting to the extension also will receive detachable warrants entitling the holders up to April 1, 1955, to purchase 20 shares of $5 par common per each $1,000 bond at the price of $6.25 or $7.50 per share, depending upon the date of deposit. The first date on which bonds may be deposited under the extension offer will be Feb. 1, 1946, and the extension offer will expire on March 1, 1946, or such later date as the company may fix. Bonds which are not assented to the extension offer are subject to redemption on April 1, 1948, or earlier at the option of the company, at $1,025 for each $1,000 principal amount of bonds.

Underwriters—No underwriting.

BUFFALO BOLT CO. on Dec. 14 filed a registration statement for 58,386 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The underwriters are offering 43,386 shares at a price to be filed by amendment. In addition there may be eventually offered under the prospectus all or a part of an additional 15,000 shares of common, issued and delivered by the company to Lee Industries, Inc., on Aug. 10, 1945, Buffalo Bolt acquired the assets subject to liabilities of Eclipse Lawn Mower Co. from Lee Industries for 15,000 shares of Buffalo Bolt common. Lee Industries distributed to its stockholders the 15,000 shares of Buffalo Bolt common which, at the then market value of $10 per share, were worth $150,000. Lee Industries was dissolved on Sept. 17, 1945.

Underwriters—Van Alstyne, Noel & Co. heads the underwriting group.

CABOT YELLOWKNIFE GOLD MINES, LTD., on Nov. 13 filed a registration statement for 1,000,000 shares of common stock, par $1.

Details—See issue of Nov. 22.

Offering—The price to the public is 30 cents per share.

Underwriters—John William Langs is named principal underwriter.

CARRIER CORP. on Dec. 14 filed a registration statement for 120,000 shares of cumulative preferred stock (par $50), 4% series.

Details—See issue of Dec. 20.

Offering—Shares are being offered, pro rata, at par at rate of 22 shares of new preferred stock for each 100 shares of common stock held of record Jan. 7. Rights expire Jan. 22.

Underwriters—Harriman Ripley & Co., Inc. and Hemphill, Noyes & Co. head the underwriting group.

CHESGO MINES, LTD., on Dec. 26 filed a registration statement for 1,250,000 shares of $1 par value stock, non-assessable.

Details—See issue of Jan. 3.

Offering—The public offering price is 35 cents per share.

Underwriters—W. R. Manning & Co., Toronto, Ontario, Canada.

CONSOLIDATED BISCUIT CO. on Dec. 12 filed a registration statement for 80,750 shares of common stock, par $1.

Details—See issue of Dec. 20.

Offering—The new stock will be offered to common stockholders of record some time in January at $10 per share in the ratio of one share for each four shares held.

Underwriters—None mentioned.

DETROIT HARVESTER CO. on Dec. 28 filed a registration statement for 101,769 shares of common stock, par $1.

Details—See issue of Jan. 3.

Offering—The price to the public will be filed by amendment.

Underwriters—Reynolds & Co. heads the underwriting group.

EASTERN COOPERATIVE WHOLESALE, INC. on Dec. 29 registered 20,000 shares of 4% cumulative dividend non-voting preferred stock, series A ($25 par).

Details—See issue of Jan. 10.

Offering—Price to the public $25 per share. Securities are being sold by the cooperative directly to stockholders and friends interested in the cooperative move-

ment without the interposition of any underwriter.
Underwriters—None.

EUREKA CORP., LTD., on Sept. 28 filed a registration statement for 2,595,000 shares of common, par $1.
Details—See issue of Oct. 4.
Offering—Toronto Mines Finance, Ltd., has entered into a firm commitment to purchase 480,000 shares at $1.23 per share, and has an option on 1,920,000 shares at the same price. The offering is to be made among the shareholders of Ventures, Ltd., Frobisher, Ltd., and La Luz Mines, Ltd. (Canadian companies) at $1.25 per share, and to Eureka stockholders. Price is expressed in terms of Canadian money. Shares not so acquired will be offered generally to the public. Should the option not be exercised by Toronto Mines Finance, Ltd., the company itself will make the offering, as aforesaid. The remaining 195,000 shares are to be purchased by the company geologist, officials and employees.

GENERAL SECURITIES CORP. on Sept 28 filed a registration statement for 200,000 shares of common stock, par $5.
Details—See issue of Oct. 4.
Offering—The price to the public is $7.50 per share.
Underwriters—General Finance Co., Atlanta, Ga., is fiscal agent.

GENERAL INSTRUMENT CORP. on Oct 25 filed a registration statement for 60,000 shares cumulative convertible preferred $20 par, and 260,000 shares of common par $1. The dividend rate on the preferred will be filed by amendment. The common registered includes 100,000 shares reserved for issuance upon conversion of the preferred. The 160,000 shares of common stock is issued and outstanding and being sold by certain stockholders.
Details—See issue of Nov. 1.
Offering—The price to the public will be filed by amendment.
Underwriters—Burr & Co. heads the underwriting group.

GOLD CITY PORCUPINE MINES, LTD., on Jan. 4 filed a registration statement for 600,000 shares of common stock, $1 Canadian currency par value each.
Details—See issue of Jan. 10.
Offering—The company is offering its common stock to the public at 50 cents United States currency per share. If the company accepts offers from dealers to purchase the stock, the company will sell to such dealers, if any, at 32.5 cents U. S. currency per share for resale at 50 cents U. S. currency per share. The estimated proceeds to be raised by the company is $300,000 U. S. currency maximum, and $195,000 U. S. currency minimum, if all the shares are sold by dealers, and assuming in any event that all the shares are sold.
Underwriters — No underwriters named.

GOLDEN STATE CO., LTD., on Jan. 4 filed a registration statement for 50,000 shares cumulative preferred stock, par $100. The dividend rate will be filed by amendment. The preferred is convertible into common stock on or before Dec. 31 1955.
Details—See issue of Jan. 17.
Offering—The price to the public will be filed by amendment.
Underwriters—The group is headed by Blyth & Co., Inc.

JULIUS KAYSER & CO. on Jan. 3 filed a registration statement for 153,400 shares of common stock (par $5). The shares are issued and outstanding and are being sold by certain stockholders.
Details—See issue of Jan. 10.
Offering—The price to the public will be filed by amendment.
Underwriters—The group is headed by Carl M. Loeb, Rhoades & Co. and Smith, Barney & Co.

KAISER-FRAZER CORP. on Jan. 4 registered 1,800,000 shares of common stock (par $1).
Details—See issue of Jan. 10.
Offering—The public offering price has not been determined, but it is anticipated that it will be related to the market quotation at the time of the offering for the presently outstanding shares. The issue will be underwritten with a commission of 90 cents per share by the same group which purchased the September public offering, or a total underwriting commission of $1,620,000.
Underwriters—The underwriters are Otis & Co. and First California Company, 675,000 shares each, and Allen & Co., 450,000 shares.

KELLING NUT CO. on Jan. 2 filed a registration statement for 17,000 6% cumulative preferred shares (par $20) and 34,000 shares of common ($3 par). In addition, 2,600 6% cumulative preferred shares and 76,000 common shares are being offered only to certain holders of outstanding securities of the company. No underwriting discounts or commissions are payable by the company in respect of such shares.
Details—See issue of Jan. 10.
Underwriters — The underwriters are Kebbon, McCormick & Co.; Bacon, Whipple & Co.; Farwell, Chapman & Co., and Milwaukee Company, each underwriting 4,250 shares of preferred and 8,500 shares of common.

LIQUID CARBONIC CORP. on Dec. 21 filed a registration statement for 72,810 shares of 3½% cumulative convertible preferred stock, $100 par.
Details—See issue of Jan. 3.
Offering—The preferred shares are being offered to common stockholders at $100 in ratio of one preferred share for each 10 shares common held. Subscription rights expire at noon, Jan. 26, 1946. Any shares not subscribed for by common stockholders will be offered to the public.
Underwriters—Laird, Bissell & Meeds, Spencer Trask & Co. and Merrill Lynch, Pierce, Fenner & Beane head underwriting group.

MADISON GAS & ELECTRIC CO. on Dec. 26 filed a registration statement for $4,500,000 first mortgage bonds, due Jan. 1, 1976.
Details—See issue of Jan. 3.
Offering—The price to the public will be filed by amendment. The bonds will be sold by the company at competitive bidding.
Underwriters—To be filed by amendment.

NICKEL CADMIUM BATTERY CORP. on Nov. 23 filed a registration statement for 35,000 shares of capital stock, par $10.
Details—See issue of Nov. 29.
Offering—The price to the public is $10 per share.
Underwriters—None. The securities are being offered by the corporation.
Registration Statement withdrawn Dec. 29, 1945.

PACIFIC COAST AGGREGATES, INC., on Dec. 21 filed a registration statement for 15,000 shares of cumulative preferred stock, convertible series, $100 par value.
Details—See issue of Jan. 3.
Offering—The price to the public will be filed by amendment.
Underwriters—Blyth & Co., Inc., and Schwabacher & Co. are principal underwriters.

PALESTINE ECONOMIC CORP. on Dec. 28 registered 20,000 shares of common stock, $100 par value.
Details—See issue of Jan. 3.
Offering—The offering price to the public is $100 per share.
Underwriting—No underwriting.

PHILIP MORRIS & CO., LTD., INC. on Dec. 26 filed a registration statement for 149,883 shares of 3.60% cumulative preferred stock, par $100.
Details—See issue of Jan. 3.
Offering—The company offers to the holders of its common stock of record Jan. 15 rights to subscribe for the new preferred at the rate of 3/40ths of one share of preferred stock, for each common share held at $100 per share. Rights expire Jan. 28.
Underwriters — Lehman Brothers and Glore, Forgan & Co., head the underwriting group.

PORTLAND MEADOWS on Dec. 20 filed a registration statement for $900,000 in unsecured income notes due Jan. 1, 1971, providing for interest at the rate of 10% payable only from income.
Details—See issue of Jan. 3.
Offering—The offering is to be at par, with total net proceeds to the corporation placed at $900,000.
Underwriters—No underwriter named.

RED BANK OIL CO. on May 31 filed a registration statement for 990,793 shares of common stock (par $1).
Details—See issue of June 7.
Underwriters — Principal underwriter Bennett & Co., Inc., Dallas, Texas.
Stop Order Hearings—Stop order hearings to determine whether the effectiveness of registration statement should be suspended now pending before the SEC.

RICH'S, INC., on Jan. 2 filed a registration statement for 11,070 shares of common stock (no par).
Details—See issue of Jan. 10.
Offering—The company will offer the stock to its common stockholders on the basis of one share for each 10 shares owned at the price of $70 per share.
Underwriters—None.

ROBERTS TOWING COMPANY on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.
Details—See issue of July 19.
Offering—The price to the public of the different series ranges from 99 to 102. The average price to the public is given as 100.47.
Underwriters—S. K. Cunningham, Inc. Pittsburgh, and John Nordman Co., St. Louis, Mo.

SHELLMAR PRODUCTS CORP. on Dec. 27 filed a registration statement for 40,000 shares 4¾% cumulative preferred stock, $50 par, and 150,000 shares of common, no par. The common stock is outstanding and is being sold by certain stockholders.
Details—See issue of Jan. 3.
Offering—The offering prices of the preferred and common stocks will be filed by amendment.
Underwriters—Glore, Forgan & Co. heads the underwriting group.

SINCLAIR OIL CORP. on Dec. 26 filed a registration statement for 100,000 shares of common stock (no par). The shares are issued and outstanding and are being sold by a present stockholder.
Details—See issue of Jan. 3.
Offering—The price to the public will be filed by amendment. The statement says shares purchased upon the initial offering will carry the right to receive the dividend of 25 cents per share which has been declared payable on Feb. 15, 1946, to stockholders of record Jan. 15, 1946.
Underwriters—To be filed by amendment.

STERLING ENGINE CO. on Dec. 12 filed a registration statement for 100,000 shares of 55 cent cumulative convertible preferred stock ($8 par) and 150,000 shares of common stock ($1 par).
Details—See issue of Dec. 20.
Offering—The 100,000 shares of preferred stock are to be offered first to the holders of the company's outstanding common shares at $10 a share. The common shares are reserved for conversion of preferred. The preferred is convertible at any time into 1½ shares of common stock.
Underwriters—Burr & Co., Inc., 57 William Street, New York 5, N. Y.

TEXTRON, INC., on Dec. 28 filed a registration statement for 300,000 shares of 5% convertible preferred stock, par $25.
Details—See issue of Jan. 3.
Offering—The price to the public will be filed by amendment.
Underwriting—To be filed by amendment.

UNITED STATES AIR CONDITIONING CORP. on Nov. 21 filed a registration statement for 500,000 shares of common stock, par 10 cents, of which 150,000 shares are to be offered through an underwriter.
Details—See issue of Nov. 29.
Offering—The price to the public is $4.50 per share. Application has been made by the corporation to list on the New York Curb Exchange 350,000 shares of its common stock which is presently issued and outstanding and application has been made to list on the Curb 150,000 additional shares to be sold under this prospectus.
Underwriter — George F. Breen, New York, is named underwriter.

VIRGINIA RED LAKE MINES, LTD. on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).
Details—See issue of Aug. 2.
Offering—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.
Underwriters—Willis E. Burnside & Co. New York.

Our Reporter's Report

Although few in the business are disposed to discuss it, the underwriting fraternity evidently has been hearing from the Securities and Exchange Commission, and in rather certain terms, to judge by reports, with regard to the growing tendency to "jump the gun" on new issues.

It may be that the Commission was merely touchy with regard to one of the several issues brought out, or scheduled to reach market this week. But the fact remains that dealers were not inclined to talk much about the prospects for this or that offering which most everyone interested in the business knew was coming anyway.

For some weeks past it has been a matter of widespread comment that the public is "hot after new equities." And it may be that this condition is the basic reason for the SEC's sterner attitude of the moment.

Some underwriteres themselves have been disturbed by the public rush for stocks. As one of their number put it, "your firm has only to be mentioned in connection with a prospective new issue and the phones and wires immediately are swamped with inquiries from potential buyers."

Consequent heavy oversubscription makes for corresponding scaling-down of allotments, not only increasing the volume of work involved in a flotation, but, and this is what distributors do not relish, often making for less satisfactory placement than might otherwise be the case.

Four Stock Issues

Distributors of new securities continued to be concerned this week chiefly with the job of marketing new stock issues, all of which appeared to be accorded good reception.

The bulk of these undertakings went through on Wednesday, when one group which previously had purchased the issue in competitive bidding, placed a block of 162,500 shares of Dallas Railway & Terminal Co. common stock on the market at a price of $23.25 a share.

Another group offered a block of 75,000 shares of new 4½% preferred, with non-detachable warrants of Columbia Pictures Corp., while a third syndicate offered 43,386 shares of common stock of Buffalo Bolt Co.

The fourth offering brought out 40,000 shares of 4½% cumulative preferred and 150,000 shares of common stock of Shellmar Corp., the common being sold for account of certain stockholders.

Kaiser-Frazer Corp.

There was an air of expectancy with regard to the pending distribution of Kaiser-Frazer Corp.'s 1,800,000 shares of additional common stock. The original block was marketed some weeks ago.

Two Big Rail Loans

Just when it appeared that bond refundings probably had struck a snag, Union Pacific Railroad applied to the Interstate Commerce Commission for authority to market an issue of $44,483,000 of new 30-year debentures with a 2⅞% coupon.

Bids are due to be opened on February 6 next and proceeds will be applied to redemption of its outstanding 34-year 3½% debentures at 103.

Close behind, it develops that Southern Pacific is a candidate to market $50,000,000 of new first mortgage bonds and probably will call for bids to be entered and opened some time next week.

This undertaking will mark the replacement of the 3¾s, series B, sold only a few months ago as a part of an overall refinancing of $125,000,000.

Curiously enough, at that time, the bonds moved rather slowly, being a bit out of line with the market. But on this occasion the company is leaving it up to the bidders to fix the interest rate.

The Indirect Approach

(Continued from page 371)

festly, members of the NASD would have made short shrift of such a proposal.

It did not try the medium of establishing rules of its own on the subject because here too, it would have had an articulate industry to deal with, and if such proposed rule were submitted for the opinion of that industry, again it would have been submerged.

Choosing what it thought was a fertile medium to spread its special philosophy concerning riskless transactions and disclosure, it lighted upon the Oxford case.

Although the industry had no sympathy for the respondents in the Oxford case, it was quick to recognize the implications of the Commission's opinion and to voice its displeasure with the Pandora's box which had been opened.

The SEC now seems to have a tiger by the tail.

Securities organizations are aroused by the implications of the Oxford case and its effect upon the conduct of the business in violation of trade custom and usage.

Protest meetings are being called.

We believe all such meetings should be attended by accredited representatives of member firms and that appropriate resolutions condemnatory of SEC indirection should be passed thereat.

In our opinion such resolutions should recite in substance:

a) That the SEC has chosen the Oxford case as a medium to foster a new "philosophy" concerning so-called "riskless transactions," and "disclosure";

b) That such philosophy is contrary to the well and long established trade customs and usages in the securities field;

c) That the Commission is attempting to establish such new doctrine by indirection and without consulting the industry at large.

These recitals should then be followed by a resolving clause disapproving the instant principles promulgated by the Commission, and the method employed for such promulgation.

In the absence of any change of the law, we believe that dealers are correct in insisting that business be conducted according to trade custom. A general adoption by securities associations of the resolution that we recommend would fortify dealers in that position.

When it comes, any change should be through the medium of Congressional action, and not via self-espoused, administrative, philosophic pontifications in decisions.

Since, in this instance the industry and the Commission differ about essential values and the need for a change of trade custom and usage, let's have a forthright showdown.

Let the Commission attempt to set up its rules of general application and see what the response of dealers will be.

Snide methods will always meet with our condemnation.

WE FAVOR THE DIRECT APPROACH.

With Watling, Lerchen Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH. — **William C. Davis** has become connected with **Watling, Lerchen & Co.**, Ford Building. He was previously with the U. S. Treasury War Finance Committee of Detroit.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

FLINT, MICH.—**Louis E. Goecker** is again with **Goodbody & Co.**, 124 West First Street, after serving in the U. S. Army.

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Final Edition ESTABLISHED OVER 100 YEARS In 2 Sections—Section 2

The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 163 Number 4458 New York, N. Y., Thursday, January 24, 1946 Price 60 Cents a Copy

Text of Truman's Message to Congress on State Of the Union and 1947 Fiscal Year Budget

Chief Executive in Report on State of Union Speaks Optimistically of Outlook for Peace Abroad and Prosperity at Home. Urges Continuation of Many War-time Controls, Including Conscription, Priorities, Food Subsidies and Price Regulations. Points Out Inflationary Dangers, but Urges Wage Increases With Lower Unit Prices. Says Most Industries Can Pay High Wage Rates and Asks Congress to Enact His Labor Legislation Proposals Along With Other Measures Already Submitted by Him. In Budget Message, Predicts a Deficit of Around $4 Billions and a Reduction in Debt of $8 Billions to Be Met From Treasury's Cash Reserves. Wants No More Tax Reductions.

President Harry S. Truman delivered to Congress on Jan. 21 one of the lengthiest messages on the State of the Union ever presented to Congress. In a document of 25,000 words, in which he included his budget proposals for the fiscal year of 1947, he reviewed the conditions and the prospects both at home and abroad, and without discoursing in detail on the present major labor disturbances, presented an optimistic viewpoint on the progress of reconversion and the probability of production on a scale 50% higher than ever attained in a peacetime period.


President Truman

The text of the message follows:

Message of the President

On the State of the Union and Transmitting the Budget

To the Congress of the United States:

A quarter century ago the Congress decided that it could no longer consider the financial programs of the various departments on a piecemeal basis. Instead it has called on the President to present a comprehensive Executive Budget. The Congress has shown its satisfaction with that method by extending the budget system and tightening its controls. The bigger and more complex the Federal Program, the more necessary it is for the Chief Executive to submit a single budget for action by the Congress.

At the same time, it is clear that the budgetary program and the general program of the Government are actually inseparable. The President bears the responsibility for recommending to the Congress a comprehensive set of proposals on all Government activities and their financing. In formulating policies, as in preparing budgetary estimates, the Nation and the Congress have the right to expect the President to adjust and coordinate the views of the various departments and agencies to form a unified program. And that program requires consideration in connection with the Budget, which is the annual work program of the Government.

Since our programs for this period which combines war liquidation with reconversion to a peacetime economy are inevitably large and numerous it is imperative that they be planned and executed with the utmost efficiency and the utmost economy. We have cut the war program to the maximum extent consistent with national security. We have held our peacetime programs to the level necessary to our national well-being and the attainment of our postwar objectives. Where increased programs have been recommended, the increases have been held as low as is consistent with these goals. I can assure the Congress of the necessity of these programs. I can further assure the Congress that the program as a whole is well within our capacity to finance it. All the programs I have recommended for action are included in the Budget figures.

For these reasons I have chosen to combine the customary Message on the State of the Union with the annual Budget Message, and to include in the Budget not only estimates for functions authorized by the Congress, but also for those which I recommend for its action.

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Observations . . . .

By A. WILFRED MAY

In his message to the Congress the President candidly admitted that his higher wage-lower price panacea, while effective for all labor and "for business generally," is not valid for *all* companies. So there is to be complete equality in the improved status of the nation's wage-earners, but an intensification of the inequalities between individual businesses. Industry-wide application of maximum ability-to-pay will force to the wall the less efficient, less wealthy, or otherwise weaker, companies. In this Mr. Truman is actually furthering what the old New Deal high command used to castigate with the epithet "economic royalism." Similarly inconsistent has been the Administration's confinement of its mediation in the steel strike to that industry's largest company and its President, Mr. Fairless.

* * *

When President Roosevelt was "quarterbacking" his desperate New Deal economic "plays" in the 1933 Depression, the professed reason for his lack of caution was the existing critical situation whereunder gambling on possibilities had far more to gain than to lose. But today there is no such great depression to offer as an excuse for using the nation in a laboratory experiment for testing Mr. Truman's wage-price scheme for making everybody happy—"in an active, friendly citizenry enjoying the benefits of democracy under our free enterprise system."

* * *

In the President's message no proposal whatever for amending the grossly inequitable Wagner Act was discernible. Nor was there any suggestion for enlarging the application of reasonable *State* regulation of labor organizations. The little-realized critical situation in local law enforcement has been recently evidenced in events like the

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GENERAL CONTENTS

Editorial

*These items appeared in our issue of Jan. 21, on pages indicated.

The Financial Situation

What may be termed the "formula method" of finding solutions for all the perplexities to which mankind is heir may, we suppose, have certain practical advantages at times even though the formulae employed, or indeed any formulae, have no logical or rational leg whatever to stand on. Homo sapiens seems to be amenable to persuasion or control more easily when presented with an "equation" or some other concatenation of symbols or concepts even though he may have no more than a suspicion of their meaning, or indeed may have a wholly incorrect notion of what is really in them. From all this it follows naturally that the employment of such formulae is really warranted—if, indeed, they are ever warranted—only when their utilization is designed to reach an end which finds its justification quite without reference to them.

Magic and Deception

But, if one is to pursue the subject further, it must be added at once that so soon as such basic facts as these become fairly widely realized or understood, the magic of the "formulae" tends to disappear. If "formulae" are to be effective popular slogans, they must be accepted and accredited by the rank and file of the people. Otherwise the hollowness of the whole procedure is apparent and its effectiveness is lost. If, when such a stage is reached, the national leaders can persuade themselves, not merely to "dig up" other formulae which in turn may "have their day and cease to be," but to seek a more understanding and lasting method of approach to current problems, at least something would have been gained by the time and effort spent upon silly statistics and sillier conclusions therefrom.

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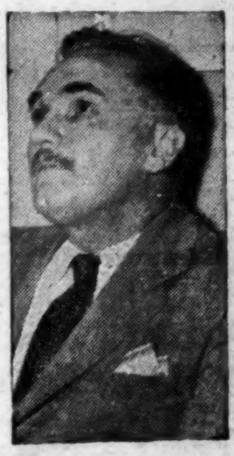
From Washington Ahead of the News

By CARLISLE BARGERON

The general impression in Washington officialdom is that Steel and Motors are out to bust the unions, which is, of course, not news at this late date. But by this time the country as a whole will very likely have come to accept this attitude. The basis for it is that only a few cents an hour separated what the unions were prepared to accept and what the respective industries would pay. It might well be asked, in the circumstances, why the unions wouldn't back down, there being only this slight difference, just as well as the industrialists. What is important to the industries is that their motives are going to be seriously questioned. On the popular impression that they are now out definitely to ruin the unions they may find the public with them. But we doubt it, and the best informed opinion of Washington doubts it.


Carlisle Bargeron

We were in Detroit a few days ago and there seemed to be a surprising satisfaction with the way things are going. The motor managers are calm, apparently unworried. They profess an attitude that there is really nothing for the country to get worried about. General Motors has a business. It is in business to make money. It has offered men so much to work for them and the men say they won't work for that amount. Very well, they have a perfect right to stay away from work. Undoubtedly this is the attitude of Steel. If men won't work for what the employer thinks they are worth that is their business, unless the employer feels such an urge to resume operations that he will give in. The attitude of both Motors and Steel is that it is nobody else's business. Of course, these are the fundamental facts. There is no law against other people going ahead making automobiles and producing steel, as, indeed, some of them are.

Regardless of the merits of their attitude, however, this writer fears that the present administration in Washington, being admittedly weak, is very likely to do something hysterical. The pressure is on it to "do something" is already tremendous and it will be-

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Neither His Right nor His Duty

"I have just been informed that the United States Steel Corporation has refused to accept the compromise offered by me yesterday in the United States Steel Corporation-United Steelworkers controversy.

* * *

"I have studied the facts and figures very carefully. The fact-finding board in the steel industry has reported to me informally. It has not had the opportunity to go into the merits of the case very fully, as it would have done if there were legislation now on the books for a "cooling-off" period.

"Nevertheless, after hearing the board and after long consideration, I believe that the suggestion made by me of 17.1%, or 18½ cents per hour is fair.

"In the General Motors case the fact-finding board, after four weeks of hearings and consideration, reported to me that a settlement of a 17.4% increase, or 19½ cents per hour, was fair and reasonable under all the circumstances, to both parties. I approved and still approve that finding. The union has accepted it, but the company has refused.

"While, of course, no one finding by any fact-finding board is conclusive or even persuasive in other cases, the fact is that the present general circumstances surrounding these two disputes are similar.

"It is a matter of great regret to me, and I am sure that it will be to all the people of the United States, that all our efforts to avoid this steel strike have up to now failed. A strike in the steel industry will be felt in practically every major industry in the United States.

"It will hamper our reconversion effort. It will stall our attempts to establish a sound economy to which our veterans can return."—The President of the United States.

It would be an excellent thing if the American public were to subject these words to the most careful scrutiny—not that they would find much to guide them in these troublous times but they should be deeply impressed with the readiness, not to say rashness, with which Government these days assumes responsibility and jurisdiction where neither is its right or duty.

Unions Should Be Controlled Is Opinion Of Majority of Workers, According to Forum

The Jan. 15 edition of the Macfadden Wage Earner Forum discloses that a majority of the country's workers believe unions should be placed under Governmental controls similar to those under which business operates.

In a national cross section poll of wage earners, 62.6% said they were in favor of Governmental control of unions, while fewer than one third (31.2%) were against such control. The remaining 5.3% did not express an opinion. Of those who are members of unions, slightly over 50% (50.5%) were in favor of union control.

The Wage Earner Forum, conducted by Macfadden Publications, Inc., comprises wage earner families across the country. The families represent a national cross section of wage earners—skilled labor, semi-skilled labor, unskilled labor, and other categories in the wage earner classification. The Forum is polled regularly on matters of current interest.

Workers according to the publication, have been very frank over a long period of time in expressing their convictions in the Macfadden Wage Earner Forum and their frankness is evidenced in this disagreement with the expressed opinions of their leaders. 62.6% of a national cross section of wage earners answered "yes" to this question: "Do you think Congress should provide controls of labor unions similar to the controls of business firms?" The advices in the matter further state:

"Fewer than one-third (32.1%) replied, 'no' to the question, and the remaining 5.3% did not express an opinion.

"Those men in the Forum who are union members voted 50.5% in favor of controls over unions. Those not union members voted 69% for control of the unions.

"There are no significant variations in the answers to this question by sections of the country, by city-size, or by age group, although more of the younger men answered 'no' to the question. However, the 'yes' answers range from close to 60% to almost two-thirds in every age group.

"The guaranteed annual wage appeals to the majority of the workers. On this question, there is no difference of opinion between the union members and the others. Four out of five in both groups like the idea.

"Some of the lack of understanding and results of propaganda are shown in the variation in the answers on 'Return on Capital.' More workers approve interest or wages to 'the investors,' while fewer approve dividend payments to "capital." More of those who approve interest to investors feel that these returns on money invested should be 6% or over than feel it should be less.

"While opinions are confused and divided on 'cartels,' the great majority of the workers believe that 'international trade agreements' after the war will be a good thing.

"Guaranteed Annual Wages — Eight out of ten of the men in the Forum like the idea of a guaranteed annual wage. There are no pronounced variations by any of our usual breakdowns.

"Interest to Investors? Dividends to Capital? Nine out of ten of the men in the Forum believe that people who invest money in a business are entitled to earnings on the funds they have invested. But . . . when essentially the same question is asked in a depersonalized form, that is, whether capital is entitled to dividends, the proportion who respond in the affirmative drops to seven out of ten.

"How much interest are investors entitled to? Almost a quarter of the men who believe investors should get returns on their money say 6%. About 16% mention various amounts over 6%, almost 12% various amounts under 4%, and another 11% mention interest at 5%.

"International Trade Agreements—More than eight out of ten of the men in the Forum believe that international trade agreements after the war will be a good thing. This overwhelmingly favorable vote breaks down as follows:

"Question: Do you think that international trade agreements after the war will be: a good thing; a bad thing?

"Answer: Good, 86.2%; bad, 7.4%; d. k., 4.4%; n. a., 2.0%—100.0%.

"Cartels — Opinion regarding cartels is less crystallized and reveals greater uncertainty than opinion about international trade agreements. About one-fourth of the men believe they are a good thing, but almost a third feel they are a bad influence and almost another third simply do not have any opinion.

"Question: You have heard and read a lot about cartels. Do you think them: a good thing; a bad thing?

"Answer: Good, 29.5%; bad, 31.6%; d. k., 31.7%; n. a., 7.2%—100.0%."

NYSE Borrowing Higher in December

The New York Stock Exchange announced on Jan. 3, that the total of money borrowed as reported by Stock Exchange member firms as of the close of business on Dec. 31 was $1,073,417,453, as compared with $963,175,307 on Nov. 30.

The following is the Stock Exchange's announcement of Jan. 3:

The total of money borrowed from banks, trust companies and other lenders in the United States, excluding borrowings from other members of national securities exchanges, (1.) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government $494,216,241; (2.) on all other collateral $579,201,212; reported by New York Stock Exchange Member Firms as of the close of business Dec. 31, 1945 aggregated $1,073,417,453.

The total of money borrowed, compiled on the same basis, as of the close of business Nov. 30, 1945, was (1.) on direct obligations of or obligations guaranteed as to principal or interest by the United States Government $422,277,481; (2.) on all other collateral $540,897,826. Total $963,175,307.

Livingston Named Financial Editor of Philadelphia Record

Appointment of J. A. Livingston as Financial Editor has been announced by the Philadelphia Record. Mr. Livingston comes to The Record from Washington where he edited the confidential weekly magazine, "War Progress," for the War Production Board, and served as economist with both the War Production Board and the Office of War Mobilization and Reconversion. Before going to Washington, Mr. Livingston was economist with Business Week, public utilities editor of the Financial World and associate editor of the New York Daily Investment News. He is the author of "Reconversion—The Job Ahead," and has contributed articles on finance and economics to leading technical publications and magazines.

The State of Trade

A slight rise was noted in industrial output the past week, continuing the gradual upturn in production started in October of last year. Uncertainty characterized shipments in the week for the country as a whole, and the occurrence of several strikes ahead of schedule and a slackening of activities by other plants in preparation for a shutdown resulted in a lower level of steel production. Few shipments were suspended and the present large backlog of orders continued to expand.

The home appliance field reflected some expansion in output, though lumber remained a scarce material hampering the manufacture of furniture. Automobile production too, showed a gradual improvement at some plants for the week.

The long-threatened and nation-wide steel strike that the country worked so earnestly to avoid took place on Monday of the present week. The impact of such a strike on the nation's economy will be tremendous if the walkout is of long duration, since the steel industry plays such a vital role in keeping the wheels of all industry in motion. At a time when the country is endeavoring to increase the output of civilian goods and thereby stave off inflation, the total effects of this shutdown in a key industry if prolonged can prove very devastating to say the least. The immediate effects of this walkout kept 750,000 workers away from their jobs, and brought about the closing of near to 1,300 steel-making and fabricating plants, and aluminum mills and iron ore mines in 29 states. Other industries affected by the closing included construction, railroads and public utilities.

According to the American Iron and Steel Institute, because of the strike, the percentage of steel capacity in operation the present week is believed to have declined to the lowest level in the 300-year history of iron and steel in this country with scheduled tonnage to be produced this week the lowest in 53 years.

Commenting on the strike, Benjamin F. Fairless, president of the United States Steel Corporation had this to say: "We did everything reasonable within our power to avert this disastrous steel strike. We met the union more than half way. Our offer of a wage increase of 15 cents an hour met 75% of the union's final proposal.

"The direct labor cost to this corporation of the wage increase we offered is $60,000,000 annually. This offer represents the biggest wage increase in the history of the steel industry. The union has answered this most substantial offer with a strike.

"This is not a fight in the selfish interest of the United States Steel Corporation. We feel strongly the responsibility of protecting the consumers—the thousands of fabricators and processors of steel whose very existence would be in jeopardy should we grant the union's demand for such a large and unwarranted wage increase.

"The responsibility for this strike rests with the union."

If the nation is to make progress in its reconversion process and some semblance of normalcy restored to our much battered economy the constantly growing demands for excessive wage increases must be halted. As the National City Bank of New York so aptly points out in its current monthly letter on general business conditions:

"In establishing public policy, it should be understood that what is at stake in the wage disputes is not the ability of one company or a dozen companies to pay higher wages. It is the welfare and the stability of the whole economy. The issue is, first, whether prosperity is to be increased and diffused by distributing the gains of progress, as against monopoly of the gains by any group. It is, second, whether current inflationary trends are to be arrested by keeping restraint on costs, or whether the boom and bust route is to be followed."

Steel Industry—Criticism of the U. S. Steel Corp.'s 15 cents an hour offer was voiced unofficially by some steel companies, and it was to have been expected, according to "The Iron Age," national metal-working paper, that the meeting held in New York early last week at which Mr. Fairless made his report to other steel company officials would have its stormy moments.

On the other hand Mr. Murray in taking an unprecedented step by postponing the steel strike was in an unenviable position late last week as a result of the failure to obtain a wage agreement and the magazine expressed doubt at the time whether a second postponement would be made under such circumstances.

It was obvious the past week that the government was bluntly using a "promised" $4 a ton increase in steel prices as a club to force a wage agreement. This purported promise has become somewhat of a mystery in that OPA has in no way indicated its approval of a $4 increase, what products would be affected and whether or not it would be an across-the-board increase. It has been indicated, from other sources, unless changed before the week expired, that a straight across-the-board steel price adjustment of $4 or slightly more is in prospect when and if a wage settlement is made.

If such a price increase is granted the problem of the nonintegrated steel mill will be more precarious than ever. A straight-across-the-board advance would leave these smaller companies which buy semi-finished steel and process it into finished steel products in the same position in which they are now, the "Iron Age" points out.

On the basis of a 42-hour week in the steel industry at about the same level as current employment, it is estimated that a 15 cent an hour increase would cost the industry $148,000,000 a year in wages. A 19½-cent increase demanded by the steel union would cost about $193,000,000 a year. On the basis of 56,000,000 tons of finished steel, the approximate amount produced in 1945, a price increase of $4 a ton would net the steel industry about $224,000,000 a year.

Since the price increase was demanded to cover accumulated costs exclusive of any new wage agreement, a wage increase of 19½ cents an hour would leave little from a $4 ton advance in price. This is the reason, states the magazine, why it is expected that the steel industry, after gauging the effects of a wage and price increase, over a period of operations will likely request some sort of a subsequent price adjustment.

The slowdown in operations two weeks ago at many steel company plants in preparation for a strike has made itself felt the past week, even though units were rushed back into production as quickly as possible. Steel ingot output last week was down 7½ points to 75.5 per cent of capacity.

Many companies covered by the steel union strike call are not producers of steel but are engaged in steel fabrication or further processing of steel products. Such

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Urges Caution in Expanding Foreign Loans

National City Bank Says British Loan Is Likely to Encourage Other Countries to Seek Similar Treatment. Holds Britain's Case Is Exceptional and We Should Consider Carefully How Much Farther We Should Go in Our Foreign Commitments. Holds Britain's Capacity to Repay Is Problematical.

The January monthly "Bank Letter" of the National City Bank of New York, after reviewing the conditions and reactions relating to the proposed Anglo-American financial agreement, takes up the question of our policy in future foreign lending, and points out that a "real danger" is that other foreign nations will soon be "knocking on our doors" for loans similar in character to that proposed by the agreement to be granted to Great Britain. On this phase of our future policy the "Monthly Letter" comments:

With the Anglo-American agreement awaiting approval by Congress, it is well known that other countries are, or soon will be, knocking at our door. No doubt most, if not all, could obtain credit in reasonable amounts through the Export-Import Bank, the International Bank to be set up under Bretton Woods, or—in a few cases—regular market channels. Will the lower interest rate and other special considerations of the British loan be regarded as setting a precedent, encouraging other countries to expect similar treatment?

This is a real danger. There is, however, no proper analogy between the case for Britain and that for any other country. Quite apart from the natural feelings of friendship that exist between the two great English-speaking democracies, the compelling argument for Britain is that country's outstanding importance as a great center of world trade and finance on which many other countries depend. Without a freely convertible sterling there will be scant hope of achieving the multilateral trading system which has been the traditional goal of this country. Of no other currency save the dollar is this true to anywhere near the same extent. Not on the basis of sentiment, or of looking backward, but on the basis of our own interest in world trade recovery, the British position is wholly exceptional.

Our Foreign Commitments

We need to consider carefully how much farther it is safe to go in lending in view of our national debt now $279 billion, our foreign commitments already made, and the purchasing power represented by the large gold and dollar exchange holdings of foreign countries.

Our subscription to the International Monetary Fund is $2,750 million and to the International Bank $3,175 million, while the enlarged Export-Import Bank has a lending power of $3,500 million. The British credit is $3,750 million, plus $650 million for settlement of lend-lease goods in transit and surplus property. Similar credits for lend-lease settlements not handled through the Export-Import Bank include $575 million to France and $400 million to Russia. Our original contribution to UNRRA was $1,350 million, and Congress has just approved an additional contribution of the same amount.

The above alone totals over $17 billion, and still does not allow for additional "pipeline" lend-lease credits pending, or for eventual claims upon us from the Bretton Woods institutions perhaps much larger than our subscriptions, due to the possibility that the Monetary Fund may borrow additional dollars and the likelihood that the major share of whatever part of the International Bank's $10 billion authorized lending power is used will almost certainly be extended in dollars. There will also be advances and credits made by private banks or floated in the open market, and direct investments by American concerns abroad.

Some of our commitments involve direct expenditures through the federal budget, while others will be financed outside the budget. Some of the funds provided, such as those for settlement of lend-lease goods in transit and surplus property, and part of UNRRA and Export-Import Bank funds, have already been spent, but the major portion represents new or potential demands upon American production.

In addition, foreign countries hold in excess of $20 billion in gold and dollar exchange, an indeterminate amount of which would be available for expenditures here.

All this shows the heavy commitments which the United States has already made for foreign relief and reconstruction, and the potential demand for American goods now being built up. The combined total of these actual or potential claims is easily $40 billion, without including some very large foreign reconstruction loans that have been talked about.

As we hear the calls of distress from over the world and see the need of funds for reconstruction, we know that some American money should and must be used even for our own interests as part of a sick world. On the other hand, we know that inflation has traveled fast both at home and elsewhere, and more credit means more inflation. After World War I and in the 'twenties we financed inflation with American money. Then when we found we had invested too freely, we stopped suddenly. We run the risk of doing just the same thing over again. We are riding on a wave of public approval of all things international. It will bear us too far unless we are prudent. When we find we have been carried too far, our feeling will change. Nothing could be worse for sound and continuing international collaboration.

Moreover, lending U. S. public money around the world means more government borrowing from our own people, with consequent increase in interest charges and in taxes. The tax burden we now have to carry is already so heavy as to impair incentive. Nothing could be worse for a vigorous and expanding economy at home than to lose the driving force that comes from adequate reward for success.

The question that Congress and students of the situation will ask is whether the $4.4 billion British loan is just another step in a huge foreign lending program with the purpose of stimulating full employment in the United States, with all too probably a burst of inflation and a boom followed by a crash, or whether it is, on the other hand, a step in a more prudent and closely controlled program in which the British loan will be unique.

Can Britain Pay?

Will Great Britain be able to make the payments of interest and principal called for in the loan contract? This is a question that everyone asks, not only in this country but also in England, for Englishmen with their high regard for their bond do not want to assume obligations they cannot meet.

It seems clear there can be no certain answer. It depends upon too many factors, the working out of which cannot be foreseen in this troubled and rapidly changing world.

There is, first of all, the question of how successfully the British are able to utilize the breathing spell afforded by the loan for working out their own problems at home. This involves problems of reconversion, of reorganization and rationalization, and in general of raising the efficiency and productivity of British industry. There is the question of emphasis—whether the major effort is going to be directed to meeting these problems or whether it is going to be diverted by pressure for immediate realization of social objectives.

Contrary to frequent assertions during the debates in England over the loan, and to a widespread impression in this country, British balance of payments difficulties are not wholly a product of the war. Britain was having trouble with its trade balance before the war. Despite Britain's recognized leadership in many industries where skill and craftsmanship of individual workers are a major factor, and its high standard of efficiency and excellence of product in some of the newer industries, the fact is (revealed in numerous British reports) that Britain was losing out in world markets on some of the major export lines—notably coal, cotton textiles, iron and steel—on which it had depended. The causes of this are complex, but include failure to keep abreast in promptly scrapping outmoded equipment and methods, and in making the investments necessary to have the advantage of the latest techniques. Many Americans, who recall how often apologists of the Government's spending policies of the '30s in this country pointed to the example of Great Britain with her much heavier (then) national debt and taxation, now wonder whether the blighting effect of such taxation upon incentives may not have had something to do with discouraging British industries that were falling behind from making the needed adjustments.

A second question relates to Britain's success in dealing with difficult Empire problems, notably that of India, on a basis that will promote the harmonious and peaceful relations necessary to a flourishing trade.

A third question has to do with the general volume and stability of future world trade in which Britain may expect to share. This concerns the organization of the peace and removal of fear of war; and it involves questions of trade barriers and of other national policies bearing upon international trade that are to be the subject of discussion at the coming international trade conferences. It is concerned, further, with the maintenance of a stable economy in this country, with all that means in budget control and avoiding inflationary peaks that have their inevitable counterpart in the depressions that follow.

That the British realize the magnitude of the job they have ahead is evident in the exhortations of their leaders for greater industrial efficiency, along with an austere program of belt-tightening for the individual citizen. It is reflected in the statements of Sir Stafford Cripps, President of the Board of Trade in the Labor Government, that "by sacrifice and hard work, Britain must find ways of exporting more goods so that she can purchase essential imports." And, again, "we cannot, therefore, neglect any steps which will make our industry more competitive in the markets of the world."

For these various reasons, it is impossible to determine definitely in advance Britain's capacity to pay or its capacity to carry out the other commitments in the agreement. But the loan and the agreements that go wit[illegible]sent an effort in the direction of reestablishing world trade on a multilateral basis, which has always been the American system and was that of Britain during the heyday of British commercial expansion up to the first World War. Without the loan it seems inevitable that Great Britain would have to follow the pattern on which Germany operated in the '20s and '30s—that is, bilateralism, trade quotas, exchange controls and managed currency. With the loan accord, there is at least a fighting chance that we and Britain, working together, could reconstruct the kind of an international trading system which will best promote growth and stability [illegible] commerce.

Harl Chairman Fed. Deposit Insur. Corp.

Maple T. Harl, for the past six years Banking Commissioner of Colorado, was sworn in on Jan. 5 as Chairman of the Board of Directors of Federal Deposit Insurance Corporation. The oath of office was administered by Justice Hugo Black of the U. S. Supreme Court. The ceremony was witnessed by many notables, including Sen. Edwin C. Johnson, of Colorado; Sen. Pat McCarran, of Nevada; Governor and Mrs. John Vivian, of Colorado; Gov. Robert S. Kerr, of Oklahoma, and John Snyder, Director of the Office of War Mobilization and Reconversion. Preston Delano, Comptroller of the Currency, together with Ronald Ransom and John McKee, Governors of the Federal Reserve System, also were present.

Federal Deposit Insurance Corporation, the Government agency which insures the balances of 70,000,000 depositors in about 13,500 banks throughout the country, was established in 1933. It has had as chairman only two predecessors to Mr. Harl—Walter Cummings, of Chicago, who served during the first four months of the corporation's existence, and Leo T. Crowley, of Madison, Wis., who served from February 1934 until his resignation in October 1945. The corporation now has assets exceeding $850,000,000.

Mr. Harl's law studies were interrupted when World War I came along and he enlisted. He came out of the war with the rank of Major, was hospitalized for a time, then entered the banking business in a Denver suburb. Later he went into the safe deposit, mortgage and investment branch of finance. Meanwhile, he became active in veterans' organizations—the American Legion, the Veterans of Foreign Wars and the Disabled American Veterans. The DAV made him National Commander in 1937. During the 1930's he reorganized a number of real estate mortgage-bond companies that had been hard hit by the depression. He was appointed State Banking Commissioner for Colorado in 1939.

Mr. Harl was named on Nov. 26 by President Truman as Chairman of the Federal Deposit Insurance Corporation and the Export-Import Bank. The Senate confirmed the nomination on Dec. 7.

U. S. Chamber Annual Meeting April 30

The Thirty-Second Annual Meeting of the Chamber of Commerce of the United States will be held in Atlantic City for three days next April 30-May 2, General Manager Ralph Bradford announced on Dec. 21. This will be the first Annual Meeting since the spring of 1943 when the Chamber's members assembled in New York City. Since that time, determination of the organization's policies, and election of members of the Board of Directors have been conducted by mail.

New Board Established To Carry on NWLB Wage Setting Function

On Dec. 31, by Executive Order of President Truman, the National War Labor Board went out of existence, and the National Wage Stabilization Board, within the Labor Department, was established to take over some of the duties which had belonged to NWLB. On Jan. 2, according to a special dispatch from Washington to the New York "Times," W. Willard Wirtz, Chairman of the newly created stabilization board, announced that within the next two weeks detailed standards would be made public applying to conditions under which wages might be increased or decreased. Mr. Wirtz made it explicit that this did not mean framing of new wage policies, merely that present policy would be further implemented.

One of the new board's inherited duties, under the War Labor Disputes Act, is to receive applications from unions for Government supervision of strike votes upon 30 days' notice.

The "Times" advices went on to say:

Mr. Wirtz said that even though the Government has not provided funds to be used for holding strike votes, under the law, such petitions must be filed, even though the unions and the Government know that nothing can be done about them.

Mr. Wirtz said that another duty of the new board is to pass upon the terms and conditions of employment for settling disputes in plants that have been seized by the Government. Such settlements must be approved by the board before the plants may be turned back to their owners. It had been the WLB's duty under the War Labor Disputes Act to pass upon such terms before Government release of struck properties.

In referring to his Board's authority to determine what shall be allowed as a wage increase or a wage decrease, Mr. Wirtz said that the procedure in either case would be as it heretofore had been provided that if no union is involved, a company may apply for a wage adjustment.

In cases where a wage increase or decrease has been put into effect without approval, he said that complaints would be entertained by the board either from the union or from individuals concerned.

Mr. Witz said downgrading would be permitted, but downgrading as an excuse or subterfuge for war wage cutting would not be allowed. The legal rate of wages, he said, cannot be lowered.

As to penalties, he said that the sanctions against use of payroll itmes for tax purposes would still be used as under the Wage Stabilization Act. It would be the board's duty to determine what part of a payroll should, under its recommendations to the Treasury, be disallowed for tax purposes.

Replying to questions as to whether the board might allow a 29½% wage increase in the General Motors case, he said that such a case could come to the board under the rules drawn up by the Secretary of Labor respecting the duty of fact-finding panels, but only if price relief were in question.

He explained that if price relief were in question the standards set up under executive orders would be used as the guide, as heretofore.

The Board will determine whether wage increases requested may be used as a basis for seeking price relief. One branch of the Board will continue to administer controls over wage adjustments in the building industry which also continue to require advance approval.

The new agency has no authority to settle any labor-management disputes.

The Financial Situation

(Continued from first page)

What begins to appear to be a collapse of the wage "formulae" of the day, collapse, that is, as effective weapons with which to attack current difficulties, may or may not stem from such disillusionment on the part of the public. It may be that the hollow mockery of most of the theorizing about the basis for wage fixing—the purchasing power idea, the productivity notion, the ability to pay formula, and the others—is now penetrating the minds of men throughout the country, and that it is for that reason that it has not proved possible to marshall public opinion behind the drastic demands of the unions in various parts of the country. If so, we may be forgiven if we express the hope that from this time forward the powers that be, and for that matter a great many others who aspire to places of leadership among the people, will address themselves to current problems with much more directness and understanding than has been in evidence in the past.

Foolish Formulae

Certainly, formulae advanced during recent months for the determination of "just" or "socially desirable" or "economically sound" wage rates have been, it appears to us, more than ordinarily shot through with obvious fallacies. The so-called "purchasing power" theory — which may be and is usually "trotted out" to support any and all demands for higher wages—has long been bandied about among large elements in the population. It was thoroughly popularized by the late President Roosevelt, who, though he had little or no understanding of economics or business, was widely accepted as a sort of oracle on these subjects. Explicitly or implicity, it has been the foundation on which virtually all claims to public support of drastic wage increase demands of recent months have rested. It would be too much to hope, we suppose, that the notion has come to its final end. The probability is, we are afraid, that it will continue to be one of the main reliances of labor leaders and of ignorant politicians who seek the votes of union members.

Yet the fact is that this theory has taken some very severe pummeling of late. Of course, it needed no refutation so far as thoughtful students of economics were concerned. To them, it has all along been perfectly obvious that the production of any given goods or services must inevitably produce purchasing power equal to its own value. To them it has always been clear that this simple and irrefutable fact knocked into a cocked hat any claim that lack of ability to purchase goods produced was at the bottom of any undesired state of business by chance existing. But a little further pursuing of the subject soon reveals the fact that larger payments to wage earners can not possibly increase purchasing power beyond the value of the goods produced by such labor. It is obvious that such increases either take from some one else the purchasing power it confers upon labor, or else they add dollar for dollar to the purchasing power required to buy the goods produced.

Obvious Contradictions

But factors other than the processes of logic are probably more responsible for the lack of popular effectiveness of this old fallacy at this time. Even he who runs, though a fool he may be, can scarcely fail to recognize the essential contradiction in any public policy or propaganda which at one and the same time cries out for higher wages to increase purchasing power and issues warnings of inflationary dangers believed to lurk in wartime accumulations of purchasing power. If continued, not to say perpetual, control of almost every phase of the economy is essential to prevent those who have throughout the war been estopped from spending their money earnings from coming into the market places and bidding up the prices of all manner of goods, then why is it necessary to raise wages to enlarge purchasing power? Here is a question so obviously lying upon the surface of current discussions that no one can fail to notice it.

Little Take-Home Loss

Again circumstances have riddled the case of those—including the President of the United States—who had been basing their stand on wage increases upon the presumption of loss of "take home" pay resulting from the return of peace. From city after city—barring, we suppose, some of them now almost idle by reason of strikes — continue to come steady streams of reports of persistent shortages of labor, of continued overtime, of well-maintained, if not fully maintained, take home pay. What is more, from nearly if not all of them come indications that, so far as it is given to man to look into the future there is little or no actual prospect of heavy loss in take home pay—heavy loss, remember, as compared with the war-swollen earnings of the men, which until quite recently at any rate many almost took for granted, could not in the nature of the case be retained by them in peacetime.

Another notion which has succeeded in getting a black eye of late is the productivity of labor yardstick. This theory has a plausible and appealing sound. It is a perversion of the ideas of reputable economic theorists of past years—as are so many current notions — but the great rank and file may never have heard of the older theorists, and at any rate would not give their carefully wrought ideas much weight. The weakness of the current adaptation of the productivity notion is the quite well known attitude of wage earners toward their jobs. It is a little too widely known that, whatever the figures may seem to show, that the workman is today much less disposed to exert himself than was the case in former years, even than in the immediate prewar years. The resulting conclusion that any increase in output per man hour must be to the credit of some one other than the wage earner is a little too inescapable.

Legislation Introduced To Curb Petrillo

A bill designed to curb the actions of James C. Petrillo as head of the American Federation of Musicians, AFL affiliate, was introduced by Representative Clarence F. Lea (D., Cal.) on Jan. 16, and is scheduled for early committee consideration, the Associated Press reported from Washington. One of Mr. Petrillo's demands, according to Representative Lea, would compel the radio broadcaster "to pay a financial tribute to the American Federation of Musicians for broadcasting transcriptions where no service whatever is performed by members of that organiaztion. The Associated Press further quoted Mr. Lea as follows:

"Another demand was made that, under penalty of boycott, a station which permitted non-compensated musicians to participate in musical, educational or cultural programs would be required to pay the Federation an amount equal to the compensation which would have been paid had members of the organization performed the service, even though they performed no service whatever."

The union recently requested stations to ban broadcasts in this country of musical programs originating in other countries except Canada.

The proposed bill, said the Associated Press, would outlaw force or threats to compel a radio station:

1. To "pay tribute" for the privilege of producing or using records, transcriptions or mechanical, chemical or electrical reproductions.

2. To employ more persons than it wants.

3. To refrain from broadcasting a non-commercial educational or cultural program where the participants receive no pay.

4. To refrain from broadcasting programs originating abroad.

Brooklyn Trust Reports Gain In Net Operating Earnings

Net operating earnings of the Brooklyn Trust Company of Brooklyn, N. Y., for the year 1945, after all expenses, interest, and taxes excepting Federal income taxes, were $1,327,876, and after provision of $334,000 for estimated Federal taxes on 1945 net income, there remained a balance of $993,876. The comparable figures for 1944 were $1,051,079 before Federal income taxes and $907,079 after provision for such taxes, according to the report of President George V. McLaughlin, who stated that "the disposition of our earnings was as follows: To reserve for contingencies, $68,881; to undivided profits, $114,995; to surplus, $400,000; dividends declared, $410,000; total $993,876."

Recoveries on charged-off loans and profits on sales of securities were credited directly to reserve accounts and were not included in earnings.

The statement of Mr. McLaughlin was read at the meeting by George A. Barnewall, Executive Vice-President, who presided at the meeting in the absence of Mr. McLaughlin.

As to real estate and mortgages the statement said:

"The book value of our bank buildings was written down to $3,000,000 during the year, a reduction of $946,321 from the figure at which they were carried at the end of 1944. Of this writedown, $854,276 was transferred from reserves and the remainder was charged against earnings. Other real estate was carried at a book value of $1,000 throughout the year. Mortgages owned at the end of the year were carried at $749,562, equivalent to about 66% of their face value. Holdings of mortgages were reduced to the extent of $514,205 during the year, the reduction being due principally to sales and payments."

According to Mr. McLaughlin "the company's holdings of United States Government securities were $189,976,038 at the end of the year against $152,921,563 at the beginning, a net increase of $37,054,475. Approximately 47% of our holdings mature within five years, 45% either mature or become callable in from five to 10 years, 4% mature or become callable in 10 to 20 years, and 4% are not callable within 20 years."

In his comments respecting Government financing, Mr. McLaughlin said:

"With the end of the war and the large-scale Government financing which accompanied it, the great expansion of Government security holdings of banking institutions probably will come to an end, although there may be some slight increase due to sales by non-banking holders to the banks through the open market. Income from interest on Government securities has not kept pace with the expansion in total holdings, because rates of yield on securities available for bank purchase have been reduced considerably—by Government policy in the case of new securities and by the action of the market in the case of older issues. It therefore appears that there may be a downward trend in banking income from holdings of Government securities."

He also said:

"Our total of outstanding loans is somewhat larger than a year ago, but it appears that industry generally has not required a great deal of bank credit for reconversion purposes. We are hopeful that demand for business loans will improve as peacetime production expands. Following a reduction of our discount rates on personal loans effective July 1, demand for such loans has improved, and up to the end of the year there was an increase of more than 50% in total personal loans outstanding. Demand for loans to modernize homes and other buildings also has shown improvement, due largely to the relaxation of certain Government restrictions.

"The company is planning to enter the field of consumer credit on a larger scale in the coming months and will engage in the financing of various types of durable consumer goods, such as household equipment and automobiles. Details will be announced when plans have been completed."

Securities Sold in Victory Loan Drive

Secretary Vinson announced on Jan. 17 the preliminary figures on securities sold in the Victory Loan Drive aggregating $21,144,000,000, of which $6,776,000,000 was subscribed by individuals and $14,368,000,000 by all other non-bank investors. Total subscriptions for each of the securities offered in this Drive were as follows:

(In Millions of Dollars)

E Savings Bonds	$2,204
F and G Savings Bonds	657
Savings Notes	1,682
2½% Treasury Bonds	9,819
2¼% Treasury Bonds	3,045
⅞% Certificates	3,737
Total	$21,144

In addition to those which applied to the Drive, the Treasury received subscriptions from commercial banks, based on their savings deposits, which aggregated $1,396,000,000, as follows:

(In Millions of Dollars)

F and G Savings Bonds	$90
2½% Treasury Bonds	853
2¼% Treasury Bonds	423
⅞% Certificates	30
Total	$1,396

The Treasury Department further says:

There were also purchased outside of the Drive $1,017,650,000 of the 2½% Treasury Bonds and $500,000 of the ⅞% Certificates for the Treasury investment accounts.

The deferred payment provision of the offering circulars was availed of to the extent of $1,277,000,000 for the 2½% bonds and $214,000,000 for the 2¼% bonds. These subscriptoins are included in the Drive figures given in the first table of this statement.

Reference to total sales in the Victory Loan Drive, of $21,144,000,000 was made in our issue of Jan 10, page 174.

Justice Jackson To Return Home

In an executive order on Jan. 17, President Truman authorized Supreme Court Justice Robert H. Jackson, chief American prosecutor at the Nuernberg war crime trials, to take such action as will permit Mr. Jackson to return to this country and again take his place in the Supreme Court. The order, according to Associated Press Washington advices, authorizes the United States representative and chief of counsel to proceed against the secondary offenders before United States military or occupational tribunals. It further authorizes Justice Jackson to designate a deputy chief of counsel, with responsibility to organize and plan the prosecution of charges of atrocities and war crimes other than those now being prosecuted as Case No. 1. According to the New York "Times," Jackson's assistant, Sidney Alderman, is expected to be named successor.

UNO Assembly Opens; Group in U. S. To Choose Permanent Site

The first meeting of the General Assembly of the United Nations Organization opened on Jan. 10 with a speech by British Prime Minister Attlee, in which Mr. Attlee stressed the responsibility which rested on the Assembly for finding the means of preserving world peace. "The coming of the atomic bomb," the Prime Minister said, according to the Associated Press report from London, "was only the last of a series of warnings to mankind that, unless the powers of destruction could be controlled, immense ruin and almost annihilation would be the lot of most of the highly civilized portions of mankind." He continued:

"To make this organization a living reality, we must enlist the support, not only of governments, but of the masses of people throughout the world. They must understand that we are building a defense for the common people."

The night before the General Assembly first convened, delegates were entertained at a State Dinner at St. James' Palace at which King George VI told them, according to the Associated Press:

"It is in your hands to make or mar the happiness of millions of your fellow men, and of millions yet unborn. It is for you to lay the foundations of a new world, where such a conflict as that which lately brought our world to the verge of annihilation must never be repeated; where men and women can find an opportunity to realize to the full the good that lies in each of them."

The delegates were called to order on Jan. 10 by Dr. Eduardo Zuleta of Colombia, temporary President of the Assembly, after which a President for the London sessions was elected. This was Dr. Paul Henri Spaak, Socialist Foreign Minister of Belgium, who had been supported by Britain. The name of Tryve Lie, Norwegian Foreign Minister, was offered by Russia from the floor, and was supported by the United States. On a secret ballot, according to the Associated Press, Dr. Spaak received 28 votes and Mr. Lie 23. It is said that Dr. Spaak's election assures the Netherlands of a place on the Security Council.

Previous to the Assembly's opening, Secretary of State Byrnes, on his arrival in London, succeeded in unifying the United States delegates by giving assurances that adequate security arrangements would precede disclosures concerning atomic matters and that "any plan recommended by the atomic commission must receive Congressional approval in the United States". Meantime a UNO subcommittee has arrived in the United States to survey various places in the East Coast area for a permanent headquarters of the peace organization. The group, headed by Dr. Stoyan Gavrilovitch, Yugoslav Under-Secretary for Foreign Affairs, has already visited the Roosevelt estate at Hyde Park and other proposed sites in the New York area, Boston, Providence, R. I., and Princeton, N. J.

Savings Banks Trust Company Reports Record Earnings in 1945

At the annual stockholders' meeting on Jan. 16 August Ihlefeld, President of Savings Banks Trust Company of New York reported record total income of $8,323,000 for 1945. "This income is the highest earned since the Trust Company was organized in 1933," Mr. Ihlefeld said, "and is represented by $6,717,000 from operations and $1,606,000 profit on sale of securities. Net earnings after all charges were $2,719,000, the equivalent of $109 per share of capital stock, all of which is owned by the 131 mutual savings banks of New York State. For 1944 net earnings were $2,133,000 or $80 per share."

It is also reported that operating expenses for the year were $819,000; interest on deposits, $3,115,000; and taxes, $1,671,000. Dividends of $40 per share, or $1,000,000 were paid on the capital stock and $1,719,000 added to undivided profits. The Trust Company reported assets of $718,186,379 at the year-end of which $715,547,291 was represented by cash and U. S. Government obligations. Deposits amounted to $673,196,190, with undivided profits of $10,099,673 and total capital accounts of $42,982,675.

The annual report mailed to stockholders prior to the meeting is liberally illustrated by charts and tables, its 40 pages reporting in detail both in operating results since organization of the bank and the growth and development of its services. In 13 years it has paid $9,449,000 in interest on deposits, $4,827,000 in taxes, $4,050,000 in dividends and has accumulated $10,100,000 in undivided profits.

Most recent of the services adopted is that of acting as agent and techincal adviser to the savings banks in planning and developing multi-family housing to be financed to the full extent of total cost by the savings banks. Commitments have already been made on five such developments involving an estimated investment of $25,000,000 and providing apartments for approximately 4,000 families in New York City. Savings Banks Trust Company processed subscriptions on behalf of the savings banks for $5,165,000,000 Government obligations during the 1942-45 period.

Robert M. Catharine, President of the Savings Banks Association of the State of New York and President of the Dollar Savings Bank, was appointed to the board of directors.

Hall Quits Tariff League

The resignation of Bertrand W. Hall as Secretary of the American Tariff League was made public on Jan. 14. Mr. Hall will shortly establish his own firm of Business Advisory and Public Relations Counsel in New York City. The Board of Managers of the League, in accepting Mr. Hall's resignation, paid tribute to him in a resolution which said that his services "have led to a wider and better understanding of the tariff and the economic system of the United States."

In leaving the Tariff League, Mr. Hall stressed his continuing belief in the great need for equitably conceived, sound tariffs to give American manufacturers and producers a fair and equal opportunity to compete in this country with foreign imports produced under lower living standards. "The vital role which the tariff has always played in our economic structure," he said, "has been obscured in recent years by our war-born prosperity as well as the absence of competitive imports during the war. As soon as the ineviatble competition of a peacetime world is resumed, the value and importance of our tariffs will again be recognized as a vital element of our national prosperity."

Loan Agreement Between Export-Import Bank And Kingdom of Greece

Approval of a credit and loan agreement between the Kingdom of Greece and the Export-Import Bank of Washington by its Board of Directors was announced on Jan. 11 by Wayne C. Taylor, President of the Export-Import Bank. The arrangement provides for a line of credit of $25,000,000 to finance the purchase in the United States of specified materials, equipment and services for the restoration of productive facilities in Greece. It is announced that while the amount of this loan is considerably less than the Greek Government feels it will ultimately require for reconstruction purposes, the loan provides the means of commencing the most urgent reconstruction work.

"This loan is in conformance with the policy of the Bank," Mr. Taylor said, "to assist in speeding the reconstruction of the war-torn areas by making dollar exchange available for the emergency purchase of needed supplies and materials in the United States, pending the beginning of operations by the International Bank for Reconstruction and Development Mr. Taylor added:

"Such action hastens the day when such areas can become self-supporting without need for outside relief, such as is now being dispensed by UNRRA. Assistance of this type to the liberated countries is a prerequisite to a secure peace and a first step toward increasing the normal process of private trade. The war left Greece as stripped of the necessities of life as any country in Europe. It has been estimated that 450,000 people starved to death during the period of German occupation. UNRRA supplies are now reaching Greece and a food subsistence level is being maintained. The destruction of railway equipment, bridges, communications, power facilities, agricultural machinery, shipping and the removal of railway rolling stock was as extensive as can be found in Europe. Serious inflation, stagnant industry and widespread unemployment ensued.

"Before the war, the economy of Greece was in a fairly balanced international position. Predominantly an agricultural country, her principal exports were tobacco, currants, raisins, olives, olive oil and figs. The United States was her second largest customer. Her largest imports were wheat, textiles, iron and steel, chemicals, machinery, lumber, coal, and petroleum products. In addition to exports, which covered about 65% of her imports, Greece was heavily dependent upon immigrant remittances and income from her merchant marine to balance her trade. Imports to the United States from Greece usually exceeded United States exports to Greece, by a considerable margin.

"The immediate economic problem of Greece is to restore her agricultural productivity and transportation, communication and power systems as rapidly as possible," Mr. Taylor continued. "Upon this depends the revival of agriculture, industry and trade. Control of inflation and reduced unemployment should follow, provided adequate measures of economic stabilization are undertaken by the Greek Government, thus leading to the point where Greece can once again resume normal trade relationships."

With relatively unimportant exceptions, the proceeds of the loan may be used only for purchase in the United States of materials, equipment and services for the restoration of productive facilities in Greece.

The use of the loan is restricted to certain types of materials and equipment approved or to be approved by the Export-Import Bank.

Training for Peace Viewed by Butler As Important Task of Colleges

Provision for training essential for the establishment of peaceful relations among nations is declared by Dr. Nicholas Murray Butler as an important task of colleges and universities. Dr. Butler presented his views on the subject in his final annual report as President of Columbia University, made public on Jan. 13.

Dr. Butler became President Emeritus of Columbia on Oct. 1 after having been President more than 43 years.

Dr. Butler expressed the view that "global warfare has made plain the fallacy of isolation, which, if followed now, would clearly lead the people of the United States to political, economic and social disaster." "No one," he said, "can be unaware of the vital and immediate need of international cooperation if civilization is to reach a higher plane, or, indeed, is to survive." The New York "Times" of Jan. 14, from which the foregoing is taken, further reported:

The President Emeritus told of the important part played by Columbia scientists in the development of the atomic bomb and noted that about 25,000 naval officer candidates had been trained at the Midshipmen's School at Columbia.

Dr. Butler commented upon the current educational trend away from the elective system, citing the new plans of study recently adopted by Princeton and Yale Universities, and the recent Harvard report. He said the present movement toward "a carefully planned program based upon the fundamental problems of science, social science and the humanities" had justified the plan worked out at Columbia after World War I.

"General education and its special courses affect mainly the first two years of the college curriculum and lead to the breaking down of interdepartmental barriers," he added. "It still remains for the American college to develop an equally satisfactory program, based upon like principles, for the upper years of college work."

Reviewing the history of Columbia's participation in the atomic bomb project, Dr. Butler reported that from 1939 until the present the larger part of the work of Columbia's physicists and of numerous members of other departments had been devoted to problems of nuclear fission and the release of atomic energy. He said the material for the plutonium bomb that was dropped on Nagasaki came from the uranium-graphite pile constructed at Hanford, Wash., which was the direct outcome of work begun at Columbia in the spring of 1942.

"Our Columbia scientists, under the necessities of war, did fully and thoroughly their part in the conception and production, in advance of our enemies, of a new and frightful instrument of destruction," Dr. Butler declared. "Columbia's pride and satisfaction will be still greater if her sons and daughters, under the necessities of peace, can play as large a part in solving the still greater problem of how the world can escape the terror and ruin that misuse of atomic bombs can bring."

The retired President defended the decision to integrate the faculties of dentistry and medicine, which has been condemned by various organizations of dentists. He said the integration was "most appropriate in view of the close relationship of these two major professions."

Dr. Butler declared that the University's application for a frequency modulation educational broadcasting license, now before the Federal Communications Commission, would enable the university to reach an audience of 16,000,000 persons.

The report pointed out that Columbia would require "many millions of dollars" in the immediate future for such purposes as the erection of additional buildings and the increase of salaries of academic and administrative officers.

Dr. Butler said gifts and bequests to the University during the year amounted to $1,380,743. He placed the capital resources of Columbia and its affiliated institutions at $233,063,835.

Phila. Land Title Bank Reports Oper. Income

Land Title Bank & Trust Co., in 1945 had the largest net operating income "in many years" while its normal demand deposits at year-end were the highest in its history, Percy C. Madeira, Jr., President, declared in report sent bank's stockholders on Jan. 7.

Net operating income for 1945 of $690,487, before Federal Income Tax, compared with $614,495 in 1944. After deducting $81,875 for preferred stock dividends, the balance of net operating income, before Federal Income Tax, was equal to $4.06 a share on the 150,000 shares of capital stock now outstanding as compared with $6.69 a share on 75,000 shares in 1944. In addition, the bank had profits of $291,023 from non-recuring sources, making total net profits of $981,510 before Federal Income Tax as against $837,506 a year ago. The advices from the bank also state:

The bank's normal demand deposits, exclusive of U. S. Treasury deposits, increased $8,279,000, or 15%, during 1945 to the record high of $61,954,000. Total deposits amounted to $79,476,911 against $75,452,928 as of Dec. 30, 1944. Total resources rose to $88,682,101 from $85,972,312 at end of 1944.

Mr. Madeira reported that $1,750,000 balance in reserve for addition to common stock or other corporate purposes and $205,000 reserve for preferred stock retirement were distributed as follows in connection with the retirement of balance of outstanding preferred in late November: $686,344 to surplus; $250,000 to undivided profits, and $1,018,656 to valuation reserve against "other real estate." Latter credit, together with sales made in 1945 reduced net amount of real estate to $902,638. Total asset valuation reserves, set up to meet any future depreciation in assets and which do not appear in published statements of bank, amounted to $2,239,809 at end of 1945.

Mr. Madeira reported that commercial department income derived from investments showed marked gain over 1944 despite continuing lower interest return on high-grade securities. Loans and discounts, he said, also showed increase during the year although FHA and commitment loans decreased due to decline in building construction.

Churchill in U. S.

Britain's former Prime Minister, Winston Churchill, with Mrs. Churchill, arrived at New York aboard the Queen Elizabeth, Jan. 14, en route to Florida for a six weeks' vacation. On Jan. 16, Mr. Churchill was reported by the Associated Press from Miami Beach as having expressed the hope that the United States would not remove all its troops from overseas "because we are not numerous enough to handle post-war Europe alone." He added: "The armies have to be kept in the field in order that all the work we have done to achieve victory will not be destroyed." The ex-Premier is scheduled, according to report, to deliver one address during his stay in this country.

Items About Banks, Trust Companies

Commander Roy L. Reierson has returned to the Bankers Trust Company of New York as an Assistant Vice-President. Mr. Reierson entered the naval service as a Lieutenant, USNR, in June, 1942. He became associated with the bank in November, 1934.

Charles W. Farnum, after two and a half years' service as a Lieutenant in the Navy, returns to Bankers Trust Company as Assistant Trust Officer. Shortly after his graduation from Princeton, Mr. Farnum came to Bankers Trust in 1931; he went into active service in 1943.

The New York agency of the Standard Bank of South Africa, at 67 Wall Street, announced on Jan. 18 the receipt of advices from its head office in London that the directors of the bank have accepted, with regret, the resignations from the board of directors, as from Dec. 31, of Robert Edmund Dickinson and Sir Samuel Herbert Wilson, who have served the bank for a number of years.

The annual meeting of the stockholders of Guaranty Trust Company of New York, presided over by Eugene W. Stetson, Chairman of the board, was held on Jan. 16. The following directors, whose terms had expired, were unanimously re-elected for a term of three years: William B. Bell, Charles P. Cooper, Winthrop M. Crane, Jr., Stuart M. Crocker, Morris W. Kellogg, William C. Potter, Robert T. Stevens and Thomas J. Watson. The stockholders voted approval of an amendment to the by-laws, providing for indemnification of directors, officers and certain other persons as authorized by the New York laws of 1945.

At the annual meeting of the directors of Guaranty Trust Co. on Jan. 16, immediately following the meeting of stockholders, W. Palen Conway, formerly Vice-Chairman of the Executive Committee, was elected Chairman of the Executive Committee to succeed William C. Potter, whose retirement at his own request had been previously announced, to become effective Jan. 16. Mr. Potter will continue as a director and a member of the Executive Committee and other committees. Mr. Conway has been associated with the company since 1911 and has served on the board of directors since 1924. He was appointed an Assistant Treasurer in 1913, Treasurer in March, 1916, and in September the same year was made a Vice-President. He was elected President of the company on Jan. 17, 1934, Chairman of the board Jan. 15, 1941, and has served as Vice-Chairman of the Executive Committee since Jan. 19, 1944, when he was succeeded as Chairman of the board by Eugene W. Stetson.

Other appointments announced were: Edward K. Brass, formerly credit manager, advanced to Vice-President; R. Alton Atkinson and Robert W. Stephens, who were Assistant Treasurers, to be Second Vice-Presidents. The following new appointments were also made: Robert H. Blake, Assistant Secretary; Wesley L. Baker, Robert Benjamin and Edith Halfpenny, Assistant Trust Officers.

In our issue, Jan. 17, page 292, reference was made to the operating earnings of the Guaranty Trust and the intention of Mr. Potter to retire from active duty.

At the regular meting of the board of directors of The National City Bank of New York, held on Jan. 22, Joseph P. Grace retired from the board following 39 years of active service and at the same meeting his son, J. P. Grace, Jr., was elected a member of the board. In point of years of service Joseph P. Grace, Sr., was the oldest member of the board of the bank, having been elected a director in February, 1907. This follows closely his recent retirement from the Chairmanship of W. R. Grace & Co.

J. P. Grace, Jr., President and director of W. R. Grace & Co., international trading and shipping organization, is the third member of his family to hold that position since the company was founded by his grandfather, William R. Grace, more than three-quarters of a century ago. Following his graduation from Yale University in 1936, he entered W. R. Grace & Co., where he spent several years of training in the various departments of the organization and filled successively a number of official positions. As assistant to the Vice-President in charge of industrial operations, he traveled extensively in South America. He was elected Secretary of the company in 1942, a member of the board of directors in 1943, Vice-President in May, 1945, and President Sept. 13, 1945. Mr. Grace is also a member of the board of directors of Ingersoll-Rand Co., of Stone & Webster and of the Northern Insurance Company.

The Pennsylvania Exchange Bank of New York, at 8th Avenue and 26th Street, announces that on Dec. 27 William S. Brower became associated with the bank as President.

The Empire Trust Company of New York announced today the election of Moorhead C. Kennedy, Jr., as a Vice-President. Mr. Kennedy was formerly a general partner of the brokerage form of Montgomery, Scott & Company of New York and Philadelphia and a member of the New York Stock Exchange from 1929 to 1941 when he was called to active duty in the Naval Reserve. During the war he served as a Commander and was returned to inactive duty last November. He will make his headquarters in the Fifth Avenue office of the bank at 580 Fifth Avenue.

At the annual stockholders' meeting of the Chemical Safe Deposit Company of New York Percy H. Johnston resigned as Chairman of the board and director and was succeeded in both of these posts by Frank K. Houston, Chairman of the board of the Chemical Bank & Trust Company. Miss Frances M. Boos, Assistant Secretary and Assistant Treasurer of the company, was also elected a director.

Changes in the official staff of the Chemical Bank & Trust Co. were referred to in our Jan. 10 and Jan. 17 issues, pages 169 and 304, respectively.

E. Chester Gersten, President of The Public National Bank and Trust Company of New York, has announced the election of Jacob Bloom and Earl R. Gafford as Vice-Presidents. Mr. Bloom, who is at the main office, was advanced from Assistant Vice-President and heads the investment division. Mr. Gafford has just joined the bank and was an official of The Chase National Bank of the City of New York, having started as an officer in the Equitable Trust Company over 20 years ago. In his new connection, he will be identified with The Public National's out-of-town business activities. Mr. Gersten also announced the following appointments: James A. Patterson, Assistant Cashier at the main office, and James P. Walsh, Assistant Cashier at the Broadway and 24th Street office, were elevated to Assistant Vice-Presidents. Ernest C. Mattausch of the Broadway office, Harold Rudin of the New Business Department and Harry G. Hartman, who recently joined the bank and is in the Credit Department at the main office, were appointed Assistant Cashiers.

Manufacturers Trust Company, New York, announces that Commander Eugene S. Northrop, who returned to the bank on Jan. 7, 1946, after serving in the United States Naval Reserve since April, 1942, has been promoted from Assistant Secretary to Assistant Vice-President. Commander Northrop is a member of the Loan Division at the bank's main office, 55 Broad Street, New York. Commander Northrop, following his graduation from the University of Pennsylvania in 1927, worked until 1931 in the Credit Department of the Equitable Trust Co. In 1931, he joined Manufacturers Trust Co. as Assistant Branch Loan Supervisor and at the time of joining the navy was an Assistant Secretary of the bank.

At the annual meeting of the Fulton Trust Company of New York, Arthur J. Morris, President, reported net earnings for 1945 of $248,200, or $12.41 per share. In 1944, the net earnings were $202,700, equalling $10.13 per share. Mr. Morris issued the following statement:

"Net profits on securities redeemed and sold were $83,680. That amount is not included in the net earnings. $25,000 was applied to mark down the book value of our uptown office from $100,000 to $75,000 and the balance was passed to reserves.

"Our deposits for the year averaged $37,022,000 as against $31,800,000 the previous year. The high point for the year was $44,500,000. On Dec. 31 the deposits were $38,600,000. At the deposit peak the War Loan deposit was $16,178,000 and that account at the year-end had a balance of $8,740,000.

"In the Seventh War Loan drive and in the Victory Loan drive, our customers subscribed through us to the various issues offered a total of $32,170,000. In the seven War Loan drives beginning in 1942 and including the Victory Loan drive, our customers through us subscribed to a total of $98,100,000.

"In our portfolio, our investment in Government securities at the end of the year totaled $32,660,000. These bonds have a maturiey to the first call date as follows: 44.9% within one year, 31.1% from one to five years, 20% from five to 10 years and 4% over 10 years. The average maturity is 3½ years.

"Our investment in Government securities is 74% of our total resources. The average income rate on Governments is 1.43%. The average income rate on all assets is 1.26%."

At a meeting of the board of directors of Fulton Trust Company of New York, Chester Mathieson was appointed Assistant Secretary.

The board of directors of the Grace National Bank re-elected all officers for the coming year, it was announced on Jan. 9 by Chester R. Dewey, President. The board also announced the election of K. C. Lauter as Vice-President. Mr. Lauter, a graduate of Cornell University, Class of 1920, was formerly connected with the Irving Trust Company. He was recently released from the Army where he served during the war in the War Department in the New York Ordnance District and later with the Office of Strategic Services in Africa.

President Dewey, at the annual stockholders' meeting of the bank on Jan. 8, stated, according to the New York "Times," that "we are going into the most intense period of business activity we have ever seen," qualifying his prediction only with the remark "when this strike business is over." From the "Times" we also quote:

"We received our share of the substantial increase in bank deposits due to war financing," Mr. Dewey said, "but our greatest increase in deposits percentagewise came from Latin America, where our neighbors have been building up huge accumulations of gold and dollar exchange against the day when we can ship them the machinery and merchandise they want."

The year 1945 established for the bank new high records in resources, volume of activity and operating profits, according to Mr. Dewey's report. He said deposits would decline because war loan deposits aggregating $22,869,816 "will not be replenished," but predicted that about $10,000,000 in new deposits of commercial origin would come into the bank in their stead.

Net income from banking operations for the year before taxes amounted to $656,167, as compared with $536,226 in 1944; net income from all operations after tax deductions was $455,929, or $16.58 a share, as against $376,798 last year.

Edward W. Smith, President of the Clinton Trust Company of New York, reported at the annual meeting of stockholders on Jan. 16 that during 1945 the bank's deposits increased to $26,828,736, a gain of 33.1% and that total resources are now in excess of $28,000,000. "In view of this growing business," said Mr. Smith, "we strengthened our capital by adding $45,000 to surplus." Following the stockholders' meeting, directors voted to add a further $100,000 to capital and $100,000 to surplus, making a total of $400,000 in capital funds added in the past two years. Mr. Smith stated that the net operating income of the bank in 1945 was $99,381, equal to $7.09 per share. This did not include profits on the sale of securities, amounting to $3.89 per share, which were transferred to reserves. During the year the bank increased its holdings of U. S. Government bonds by $4,141,861 to a total of $14,304,339.

The stockholders of the Clinton Trust at their annual meeting reelected the following directors to a new term expiring in January, 1949: John F. Creamer, Joseph F. Higgins, Henry H. Mandle and Edward W. Smith.

The New York Trust Co. announced in its statement of condition as of Dec. 31, 1945, that total deposits were $881,263,465, against $738,248,758 a year ago, and total resources for the same two periods respectively were $951,445,924 and $802,716,500. Cash on hand and due from banks at the end of 1945 was $239,235,257, against $143,427,204 on Dec. 31, 1944; holdings of U. S. Government obligations at the latter date were shown at $455,939,526, compared with $438,608,355, and loans and discounts amounted to $233,991,371, against $196,120,056 at the end of 1944. Surplus and undivided profits advanced this year to $35,000,000 and $9,895,343, respectively, compared with $30,000,000 and $8,237,381 a year ago, while capital remained unchanged for the past 12 months at $15,000,000.

At a meeting of the board of trustees of Central Savings Bank of New York on Jan. 14, James T. Lee, President, made the following comments on the bank's annual report:

"Judged by increase in amount of deposits and number of depositors, 1945 has been the best year in the bank's 86-year-old history. Resources for 1945 totaled $269,780,395 and deposits rose to $244,701,609. This latter figure represents an increase in deposits of $30,782,838 during 1945, compared to $22,715,337 in 1944. At the close of 1945, the number of depositors totaled 190,649, or 2,522 more than in 1944. Net earnings, available for surplus and reserves, amounted to $5,518,261 after dividends were paid, the highest annual figure in the bank's history. The surplus fund and undivided profits were increased $1,250,000 to $24,633,244 and a balance of $4,268,261 was used to increase reserves. During 1945, more than $29,000,000 in war bonds and stamps were purchased through Central Savings Bank."

At a meeting of the board of trustees of Central Savings Bank of New York on Jan. 14, Franklin H. Thomas and John P. Freeman were elected Assistant Vice-Presidents. Mr. Thomas was formerly Investment Advisor and Mr. Freeman was Manager of the Real Estate and Mortgage Departments.

Sterling National Bank & Trust Company of New York announces that George J. Klein, formerly Auditor of the bank, has been named an Assistant Comptroller, and that Sergeant Clifford J. Sinton, who recently returned to the bank after serving with the army overseas for three years, has been named Auditor.

Robert A. Barnet, President of Irving Savings Bank of New York, has announced the election of Theodore H. Lohmann as Assistant Secretary. Mr. Lohmann has been with Irving Savings since 1926 and has had rounded experience in many departments. He has been Chief Clerk of the bank for the past year.

John T. Madden, President of the Emigrant Industrial Savings Bank of New York, announced on Jan. 15 that Lawrence J. O'Connell has been appointed Assistant Branch Manager.

The National Bronx Bank of New York has announced that Alfred Koch, formerly associated with the Bronx Borough Bank, has been elected a Vice-President to take charge of its Freeman Street branch; Frank W. Fitzpatrick has been advanced to Assistant Cashier and assigned as manager of the Van Nest branch, and, in addition, George Allison, Jr., has been made Assistant Cashier to head the Personal and Installment Loan Department of the bank.

Walter H. Fincke has been elected Assistant Vice-President of Savings Banks Trust Company, of New York it is announced by August Ihlefeld, President. Mr. Fincke joined the Investment Information Department of the Trust Company in 1934 and represented it in various railroad reorganizations. He is a member of the New York Society of Security Analysts.

At the annual organization meeting of the board of trustees of Brooklyn Trust Company of Brooklyn, N. Y., on Jan. 17, Thurlow Burgmyer was elected a Vice-President of the company and Everett M. Clark, William J. Elster, Charles J. Mason, Frank G. Nash, Edwin D. Roulston, Daniel Schmeidler and Frederick H. Viemeister were appointed Assistant Vice-Presidents. Mr. Burgmyer was first employed by the Bank of Coney Island in November, 1917, and became an employe of Brooklyn Trust Company through a merger with the Bank of Coney Island in 1928, at which time he was manager of the Sea Gate office. He was appointed an Assistant Secretary in 1929 and placed in charge of the company's Avenue J office. In April, 1933, he became Regional Officer in charge of the company's branch offices in the Central Brooklyn region, and in December, 1938, was appointed Supervising Officer of branches in all regions. He

served as Chairman of Selective Service Board No. 141 during World War II.

Mr. Clark has been on the staff of the company since 1941 and was appointed an Assistant Secretary in charge of customer relations in 1943. Mr. Elster was employed by the Mechanics Bank in 1915 and was appointed an Assistant Secretary of Brooklyn Trust Company upon completion of a merger with the Mechanics Bank in 1929. Mr. Mason was employed by the company in March, 1939, and in May, 1939, he was appointed an Assistant Secretary in charge of the company's Manhattan office, an assignment which he now holds. Prior to his connection with Brooklyn Trust Company he had been an Assistant Treasurer of the New York Trust Company for several years and later he was connected with White, Weld & Co. Mr. Nash was employed by the company in 1924 as a clerk at its main office. In 1930 he was appointed Manager of its Schermerhorn office and in 1945 was appointed an Assistant Secretary. Mr. Roulston was first employed by the Mechanics Bank in 1905. After the merger of that institution with Brooklyn Trust Company in 1929, he became Assistant Manager of its Fifth Avenue (Brooklyn) office and in 1930 was appointed Manager of that office. In 1941, he was appointed an Assistant Secretary. Mr. Schmeidler was employed by the State Bank of Richmond County in 1920 and in January, 1930, as a result of a merger, he became an Assistant Secretary of Brooklyn Trust Company and remained at its Port Richmond (Staten Island) office for several years. Mr. Viemeister was first employed by the Bank of Coney Island in 1919 and became Assistant Manager of the Coney Island office of Brooklyn Trust Company in 1928 as a result of a merger. He was later appointed Manager of that office and in 1929 was appointed an Assistant Secretary.

At a meeting of the directors of Hamilton Federal Savings and Loan Association of Brooklyn, James V. Mahoney was elected President. Mr. Mahoney was formerly Secretary of the bank. Salvator J. Phillips, former Vice-President, became First Vice-President; Arthur H. Larson, former Treasurer, was made Second Vice-President; Thomas Abinanti was elected Secretary and Treasurer and Gerard R. Orsi was re-elected Assistant Secretary. John Barnes, former President of the bank, has become Chairman of the board of directors.

At a meeting of the board of directors of the State Street Trust Company of Boston on Jan. 21, Sheridan J. Thorup of Wellesley Hills, Mass., was promoted to Vice-President. Mr. Thorup has been an Assistant Vice-President in the Trust Department since the merger of the Union Trust Company, Boston, with the State Street Trust Company in July, 1936.

Douglas W. Morgan, President of the Palisades Trust and Guaranty Company of Englewood, N. J., has announced the change in name of the bank to Palisades Trust Company.

William H. Barwig, George E. Harrison, Frank T. Howard, Stephen E. McLoughlin, Jr., Harold J. Saxon and Harold Strange, formerly Assistant Trust Officers of the Land Title Bank and Trust Company, Philadelphia, have been named Trust Officers, it was announced on Jan. 7 by Percy C. Madeira, Jr., President.

The board of directors of The Real Estate Trust Company of Philadelphia elected Edwin M. Clark on Jan. 17 as a member of the board of directors. Mr. Clark is Vice-President of the Bell Telephone Company of Pennsylvania.

The appointment of Don Blair, travel authority, as manager of the travel department of The Philadelphia National Bank of Philadelphia, Pa., is announced. Coincident with Mr. Blair's appointment, the bank, which maintained a travel department for more than 30 years, has expanded its facilities in order to offer the public a fully comprehensive service in the travel field. Mr. Blair, recently manager of the Philadelphia office of Thomas Cook and Son, Inc., originally joined the international travel agency in 1919 after his discharge from the British Army following World War I. An extensive traveler himself, he has managed Cook's offices in Montreal, Vancouver, B. C., Portland, Ore., St. Louis and Chicago. The bank's travel department is located at the main office, 1416 Chestnut Street.

The Board of Directors of the Union National Bank of Pittsburgh announces the following executive changes as of Jan. 10: Lloyd W. Smith retires as President and becomes Chairman of the board; Charles L. McCune retires as Chairman of the board and succeeds Lloyd W. Smith as President; R. H. Beatty becomes Vice-President; Howard T. Hardie succeeds Mr. Beatty as Cashier; L. N. Short, Curtis W. Cording and E. J. Uptegraff become Assistant Vice-Presidents; William J. Steen and Norman Nedde become Assistant Cashiers; H. F. Simmons was appointed Auditor.

John H. Trueheart, formerly special agent in Louisville with the Fidelity and Deposit Company of Maryland and the American Bonding Company of Baltimore, has been appointed special agent in Memphis following his recent release from the Army after more than four years of service. He served in the European theatre with the 33d Armored Regiment and was wounded during the campaign in Normandy. At the time of his discharge he held the rank of Captain.

James M. Grant and Charles McNamara have been reappointed Manager and Assistant Manager, respectively, of the Burglary Department in New York, following their release from the Navy. Ralph B. Chamberlin has been reappointed special agent in Cincinnati. He was recently released from the Navy with the rank of Lieutenant (j. g.). Lawrence E. Wesner, formerly underwriter in the Gederal Fidelity Division, has been appointed special agent in Philadelphia. Released from the Army with the rank of Captain, Mr. Wesner had served for four years in this country and abroad. William B. Strobridge, who served for four years with the U. S. Air Forces, has been reappointed special agent in Boston. He held the rank of Captain at the time of his discharge. Paul S. Wise and G. Robert Freaner have been reappointed special agents in Cleveland. Both were recently released from the Army after three years of service. Carlton D. Roe, recently released from the Army with the rank of Captain after more than three years of service in the Transportation Corps, has been appointed Assistant Judicial Underwriter in Boston. Prior to joining the service he was Auditor in that branch.

At the board meeting, following the stockholders' meeting of The Cleveland Trust Company, Jan. 16, M. F. Brightwell, Trust Investment Officer, was elected an Assistant Vice-President; H. T. Gales and S. R. Cummings were named Assistant Counsel; R. C. Hagans was designated Manager of the Collections Department, and L. R. Guthman, Manager Savings Department; S. W. Thomasy, Assistant Manager, E. 185-Pawnee branch; H. B. Dodge, Assis-

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Hillman Congratulates Truman on Proposed Labor Program

A message congratulating him on his Congressional labor program and his efforts to avert the nation-wide steel strike was sent to President Truman on Jan. 21 by Sidney Hillman, in his capacity as Chairman of the Political Action Committee of the Congress of Industrial Organization. Assurances were contained in the message that the President could count on the "fullest support" of CIO-PAC, it was noted in the New York "Times" of Jan. 22. Its tone contrasted with the bitterness of the attack made upon the President six weeks ago by Philip Murray, national CIO President, after Mr. Truman had proposed the enactment by Congress of a bill to establish fact-finding committees to assist in the settlement of industrial disputes. The "Times" also had the following to say:

Mr. Murray's speech, in which he accused the President of seeking to "weaken and ultimately destroy labor union organizations," led to reports of an irreconcilable breach between Mr. Truman and his former political supporters in the CIO. These reports were strengthened by subsequent denunciations of the President made by other CIO leaders. Mr. Hillman took no part in these criticisms.

In his message to the President, Mr. Hillman, who is President of the Amalgamated Cothing Workers of America, as well as Chairman of CIO-PAC, said:

"On behalf of CIO-PAC, I wish to express our deep appreciation of the firm stand you have taken in favor of wage increases to protect American workers against a drastic decline in living standards and to maintain the national purchasing power essential to a healthy economy.

"We are particularly appreciative of your patient and constructive effort to effect a settlement of the pending steel controversy. The refusal of the steel companies to accept your eminently fair and reasonable proposal fully demonstrates that they are placing their own selfish interests ahead of the national welfare.

"Be assured that you have our fullest support in the stand you have taken, as well as that of the great majority of the American people."

Associates of Mr. Hillman declined to say whether he had talked with Mr. Murray before dispatching his message. Under normal circumstances the message would have been sent by telegraph, but it was sent by special delivery mail instead because of the current strike of CIO members employed by the Western Union Telegraph Company in this city.

Chicago Fed. Home Loan Bank Pays Dividend

The Federal Home Loan Bank of Chicago, paid on Jan. 14, a semi-annual dividend at the rate of 1½% per annum on the stock owned by its 458 member savings, building and loan associations in Illinois and Wisconsin and on that owned by the Reconstruction Finance Corporation. A. R. Gardner, President, says that this continues the same rate of dividend paid for the semi-annual period preceding. A total of $163,020 is being distributed, it is announced, of which the member home lending institutions will receive $56,716 and the RFC will get 106,304.

Bierwirth of New York Trust Defends Term Loans as Investment for Banks

Term loans were defended on Jan. 9 by John E. Bierwirth, President of the New York Trust Co., as a logical form of investment for banks. In indicating this on Jan. 10, the "Wall Street Journal" stated that Mr. Bierwirth declared that commercial banks must make them if they are to do a good job for industry.

Addressing the annual meeting of stockholders, the paper from which we quote added that Mr. Bierwirth said term loans are a lot safer than many of the industrial bonds banks bought in the 'twenties. The way term loans are set up, the bank official continued, "we think they will prove very good bank assets."

In presenting to the stockholders the results of the operations of the company for 1945 Mr. Bierwirth said in part:

Gross operating income of $12,241,137 shows an increase of $1,371,902 over 1944. Net operating income for 1945 amounted to $4,766,788, an increase of $551,205. The 1945 provision for taxes, amounting to $2,558,000, represents the taxes accrued and payable for the year, exclusive of accruals in respect of net profits on investment securities. It is expected that the amounts so accrued and unpaid at the end of the year will be required to fully discharge the Company's tax liability for the year 1945. The increase in the other items of expense is due for the most part to an increase in the aggregate payments as compensation to employees and the inclusion of certain items in expenses which heretofore have been charged directly to Undivided Profits.

Net profits realized from security transactions and recoveries were transferred to General Reserve against which a charge of $450,000 was made to create a specific reserve for anticipated expenditures for modernization of banking quarters and, for equipment, the normal replacement of which was not possible during the war years.

After provision for dividends the amount of net operating income added to Undivided Profits for the year 1945 was $2,441,788, an increase of $326,205 over the year 1944.

In accordance with the directions of the Board of Trustees, the sum of $5,000,000 was transferred on June 5, 1945 from Undivided Profits to Surplus and at the year end $3,601,968 was transferred from General Reserve to Undivided Profits. The capital funds of the Company on Dec. 31, 1945 amounted to $59,895,343, the highest in the Company's history, and show an increase of $6,657,961 over Dec. 31, 1944.

Gross deposits as of Dec. 31, 1945, inclusive of United States Government deposits, aggregated $881,263,465, which is an increase of $143,014,707 over the total shown at the end of the previous year. United States Government deposits amounted to $177,231,056, a decrease of $4,300,583 from the total shown at the end of 1944. Official and certified checks outstanding show an increase of $99,848,824 and other deposits an increase of $47,466,466.

Reference to Mr. Bierwirth's report of a year ago appeared in our issue of Jan. 18, 1945, page 291.

Woll Calls Stalin's Program "Diplomatic Aggression"—Urges Govt. Stop "Appeasing"

The Administration was called upon on Jan. 16 by Matthew Woll to stop "appeasing" Soviet Russia, advised labor not to depend on Government or political parties to win its battles and proposed that further labor-management conferences be held to extend the scope of "industrial cooperation, mutual trust and good-will." As Vice-President of the American Federation of Labor Mr. Woll, according to the New York "Times," in his annual message to the members of his own union, the International Photoengravers Union, recommended that the United States set forth its international policies with complete frankness and candor. He described Premier Joseph Stalin's foreign program as "diplomatic aggression" and declared that any efforts at appeasement would be as unsuccessful as the attempt to appease Adolf Hitler at Munich.

The account in the "Times" went on to say:

The same prescription should apply to our relations with Great Britain, the Netherlands and all other foreign Governments, the AFL leader said.

"Even in politics no one has yet succeeded in finding an adequate substitute for honesty," he observed.

The end of the war has dispelled the hope of some labor leaders that they could look upon the Federal Government as "a sort of fairy godmother" who would protect them from the harsh facts of life, Mr. Woll said.

"The political honeymoon, for labor is now definitely over," he declared. "From here out victory will go to those unions which did not barter their trade union birthright. And among these, as any intelligent trade unionst knows, are the unions of the American Federation of Labor.

"Labor's strength lies in its own organizations, in its own membership, in its institutions, its press and in its tried and trusted leadership. The AFL has consistently adhered to this philosophy. It is the only safe and sound policy for American labor. CIO publications please copy."

He characterized the labor-management conference recently held in Washington under the auspices of President Truman as "a step forward" in that it had given both sides a better understanding of their mutual problems.

In advocating that further joint conferences be held, he said:

"Much remains to be done and the road that has to be traveled may be difficult at times. But employers who stand in the way of this cooperation, who promote anti-labor legislation and fan the fires of class conflict, are as dangerous to the American system as the most subversive Communist now secretly plotting to take over our industry and Government."

Magna Charta to England

The copy of Magna Charta which was brought to this country for exhibition at the New York World's Fair was placed in the vaults of the ship Queen Elizabeth on Jan. 17 to be returned to England. Considered the best of the four copies made of the charter at the time of its signing at Runnymede in 1215, the parchment has been in the Congressional Library in Washington since its removal from Fort Knox, Ky., where it had been placed for safekeeping while there was any threat of air attack. It was noted in the New York "Times" of Jan. 18 that upon its arrival in England the historic document will be returned to Lincoln Cathedral, its abiding place. Two of the other copies are in the British Museum, the fourth in Salisbury Cathedral.

Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

(Continued from first page)

I am also transmitting herewith the Fifth Quarterly Report of the Director of War Mobilization and Reconversion. It is a comprehensive discussion of the present state of the reconversion program and of the immediate and long-range needs and recommendations.

This constitutes, then, as complete a report as I find it possible to prepare now. It constitutes a program of government in relation to the Nation's needs.

With the growing responsibility of modern government to foster economic expansion and to promote conditions that assure full and steady employment opportunities, it has become necessary to formulate and determine the Government program in the light of national economic conditions as a whole. In both the executive and the legislative branches we must make arrangements which will permit us to formulate the Government program in that light. Such an approach has become imperative if the American political and economic system is to succeed under the conditions of economic instability and uncertainty which we have to face. The Government needs to assure business, labor, and agriculture that Government policies will take due account of the requirements of a full employment economy. The lack of that assurance would, I believe, aggravate the economic instability.

With the passage of a full employment bill which I confidently anticipate for the very near future, the executive and legislative branches of government will be empowered to devote their best talents and resources in subsequent years to preparing and acting on such a program.

I. From War to Peace—The Year of Decision

In his last Message on the State of the Union, delivered one year ago, President Roosevelt said:

This new year of 1945 can be the greatest year of achievement in human history.

1945 can see the final ending of the Nazi-Fascist reign of terror in Europe.

1945 can see the closing in of the forces of retribution about the center of the malignant power of imperialistic Japan.

Most important of all—1945 can and must see the substantial beginning of the organization of world peace.

All those hopes, and more, were fulfilled in the year 1945. It was the greatest year of achievement in human history. It saw the end of the Nazi-Fascist terror in Europe, and also the end of the malignant power of Japan. And it saw the substantial beginning of world organization for peace. These momentous events became realities because of the steadfast purpose of the United Nations and of the forces that fought for freedom under their flags. The plain fact is that civilization was saved in 1945 by the United Nations.

Our own part in this accomplishment was not the product of any single service. Those who fought on land, those who fought on the sea, and those who fought in the air deserve equal credit. They were supported by other millions in the armed forces who through no fault of their own could not go overseas and who rendered indispensable service in this country. They were supported by millions in all levels of government, including many volunteers, whose devoted public service furnished basic organization and leadership. They were also supported by the millions of Americans in private life—men and women in industry, in commerce, on the farms, and in all manner of activity on the home front — who contributed their brains and their brawn in arming, equipping, and feeding them. The country was brought through four years of peril by an effort that was truly national in character.

Everlasting tribute and gratitude will be paid by all Americans to those brave men who did not come back, who will never come back—the 330,000 who died that the Nation might live and progress. All Americans will also remain deeply conscious of the obligation owed to that larger number of soldiers, sailors, and marines who suffered wounds and sickness in their service. They may be certain that their sacrifice will never be forgotten or their needs neglected.

The beginning of the year 1946 finds the United States strong and deservedly confident. We have a record of enormous achievements as a democratic society in solving problems and meeting opportunities as they developed. We find ourselves possessed of immeasurable advantages—vast and varied natural resources; great plants, institutions, and other facilities; unsurpassed technological and managerial skills; an alert, resourceful, and able citizenry. We have in the United States Government rich resources in information, perspective, and facilities for doing whatever may be found necessary to do in giving support and form to the widespread and diversified efforts of all our people.

And for the immediate future the business prospects are generally so favorable that there is danger of such feverish and opportunistic activity that our grave postwar problems may be neglected. We need to act now with full regard for pitfalls; we need to act with foresight and balance. We should not be lulled by the immediate alluring prospects into forgetting the fundamental complexity of modern affairs, the catastrophe that can come in this complexity, or the values that can be wrested from it.

But the long-range difficulties we face should no more lead to despair than our immediate business prospects should lead to the optimism which comes from the present short-range prospect. On the foundation of our victory we can build a lasting peace, with greater freedom and security for mankind in our country and throughout the world. We will more certainly do this if we are constantly aware of the fact that we face crucial issues and prepare now to meet them.

To achieve success will require both boldness in setting our sights and caution in steering our way on an uncharted course. But we have no luxury of choice. We must move ahead. No return to the past is possible.

Our Nation has always been a land of great opportunities for those people of the world who sought to become part of us. Now we have become a land of great responsibilities to all the people of all the world. We must squarely recognize and face the fact of those responsibilities. Advances in science, in communication, in transportation, have compressed the world into a community. The economic and political health of each member of the world community bears directly on the economic and political health of each other member.

The evolution of centuries has brought us to a new era in world history in which manifold relationships between nations must be formalized and developed in new and intricate ways.

The United Nations Organization now being established represents a minimum essential beginning. It must be developed rapidly and steadily. Its work must be amplified to fill in the whole pattern that has been outlined. Economic collaboration, for example, already charted, now must be carried on as carefully and as comprehensively as the political and security measures.

It is important that the nations come together as States in the Assembly and in the Security Council and in the other specialized assemblies and councils that have been and will be arranged. But this is not enough. Our ultimate security requires more than a process of consultation and compromise.

It requires that we begin now to develop the United Nations Organization as the representative of the world as one society. The United Nations Organization, if we have the will adequately to staff it and to make it work as it should, will provide a great voice to speak constantly and responsibly in terms of world collaboration and world well-being.

There are many new responsibilities for us as we enter into this new international era. The whole power and will and wisdom of our Government and of our people should be focused to contribute to and to influence international action. It is intricate, continuing business. Many concessions and adjustments will be required.

The spectacular progress of science in recent years makes these necessities more vivid and urgent. That progress has speeded internal development and has changed world relationships so fast that we must realize the fact of a new era. It is an era in which affairs have become complex and rich in promise. Delicate and intricate relationships, involving us all in countless ways, must be carefully considered.

On the domestic scene, as well as on the international scene, we must lay a new and better foundation for cooperation. We face a great peacetime venture; the challenging venture of a free enterprise economy making full and effective use of its rich resources and technical advances. This is a venture in which business, agriculture, and labor have vastly greater opportunities than heretofore. But they all also have vastly greater responsibilities. We will not measure up to those responsibilities by the simple return to "normalcy" that was tried after the last war.

The general objective, on the contrary, is to move forward to find the way in time of peace to the full utilization and development of our physical and human resources that were demonstrated so effectively in the war.

To accomplish this, it is not intended that the Federal Government should do things that can be done as well for the Nation by private enterprise, or by State and local governments. On the contrary, the war has demonstrated how effectively we can organize our productive system and develop the potential abilities of our people by aiding the efforts of private enterprise.

As we move toward one common objective there will be many and urgent problems to meet.

Industrial peace between management and labor will have to be achieved—through the process of collective bargaining—with Government assistance but not Government compulsion. This is a problem which is the concern not only of management, labor, and the Government, but also the concern of every one of us.

Private capital and private management are entitled to adequate reward for efficiency, but business must recognize that its reward results from the employment of the resources of the nation. Business is a public trust and must adhere to national standards in the conduct of its affairs. These standards include as a minimum the establishment of fair wages and fair employment practices.

Labor also has its own new peacetime responsibilities. Under our collective bargaining system, which must become progressively more secure, labor attains increasing political as well as economic power, and this, as with all power, means increased responsibility.

The lives of millions of veterans and war workers will be greatly affected by the success or failure of our program of war liquidation and reconversion. Their transition to peacetime pursuits will be determined by our efforts to break the bottlenecks in key items of production, to make surplus property immediately available where it is needed, to maintain an effective national employment service, and many other reconversion policies. Our obligations to the people who won the war will not be paid if we fail to prevent inflation and to maintain employment opportunities.

While our peacetime prosperity will be based on the private enterprise system, Government can and must assist in many ways. It is the Government's responsibility to see that our economic system remains competitive, that new businesses have adequate opportunities, and that our national resources are restored and improved. Government must realize the effect of its operations on the whole economy. It is the responsibility of Government to gear its total program to the achievement of full production and full employment.

Our basic objective — toward which all others lead—is to improve the welfare of the American people. In addition to economic prosperity, this means that we need social security in the fullest sense of the term; the people must be protected from the fear of want during old age, sickness, and unemployment. Opportunities for a good education and adequate medical care must be generally available. Every family should have a decent home. The new economic bill of rights to which I have referred on previous occasions is a charter of economic freedom which seeks to assure that all who will may work toward their own security and the general advancement; that we become a well-housed people, a well-nourished people, an educated people, a people socially and economically secure, an alert and responsible people.

These and other problems which may face us can be met by the cooperation of all of us in furthering a positive and well-balanced Government program—a program which will further national and international well-being.

II. The Federal Program

International Affairs

1. Foreign Policy

The year 1945 brought with it the final defeat of our enemies. There lies before us now the work of building a just and enduring peace.

Our most immediate task toward that end is to deprive our enemies completely and forever of their power to start another war. Of even greater importance to the preservation of international peace is the need to preserve the wartime agreement of the United Nations and to direct it into the ways of peace.

Long before our enemies surrendered, the foundations had been laid on which to continue this unity in the peace to come. The Atlantic meeting in 1941 and the conferences at Casablanca, Quebec, Moscow, Cairo, Teheran, and Dumbarton Oaks each added a stone to the structure.

Early in 1945, at Yalta, the three major powers broadened and solidified this base of understanding. There fundamental decisions were reached concerning the occupation and control of Germany. There also a formula was arrived at for the interim government of the areas in Europe which were rapidly being wrested from Nazi control. This formula was based on the policy of the United States that people be permitted to choose their own form of government by their own freely expressed choice without interference from any foreign source.

At Potsdam, in July 1945, Marshal Stalin, Prime Ministers Churchill and Attlee, and I met to exchange views primarily with respect to Germany. As a result, agreements were reached which outlined broadly the policy to be executed by the Allied Control Council. At Potsdam there was also established a Council of Foreign Ministers which convened for the first time in London in September. The Council is about to resume its primary assignment of drawing up treaties of peace with Italy, Rumania, Bulgaria, Hungary, and Finland.

In addition to these meetings, and in accordance with the agreement at Yalta, the Foreign Ministers of Great Britain, the Soviet Union, and the United States conferred together in San Francisco last spring, in Potsdam in July, in London in September, and in Moscow in December. These meetings have been useful in promoting understanding and agreement among the three governments.

Simply to name all the international meetings and conferences is to suggest the size and complexity of the undertaking to prevent international war in which the United States has now enlisted for the duration of history.

It is encouraging to know that the common effort of the United Nations to learn to live together did not cease with the surrender of our enemies.

When difficulties arise among us, the United States does not propose to remove them by sacrificing its ideals or its vital interests. Neither do we propose, however, to ignore the ideals and vital interests of our friends.

Last February and March an Inter-American Conference on Problems of War and Peace was held in Mexico City. Among the many significant accomplishments of that Conference was an understanding that an attack by any country against any one of the sovereign American republics would be considered an act of aggression against all of them; and that if such an attack were made or threatened, the American republics would decide jointly, through consultations in which each republic has equal representation, what measures they would take for their mutual protection. This agreement stipulates that its execution shall be in full accord with the Charter of the United Nations Organization.

The first meeting of the General Assembly of the United Nations now in progress in London marks the real beginning of our bold adventure toward the preservation of world peace, to which is bound the dearest hope of men.

We have solemnly dedicated ourselves and all our will to the success of the United Nations Organization. For this reason we have sought to insure that in the peacemaking the smaller nations shall have a voice as well as the larger States. The agreement reached at Moscow last month preserves this opportunity in the making of peace with Italy, Rumania, Bulgaria, Hungary, and Finland. The United States intends to preserve it when the treaties with Germany and Japan are drawn.

It will be the continuing policy of the United States to use all its influence to foster, support, and develop the United Nations Organization in its purpose of preventing international war. If peace is to endure it must rest upon justice no less than upon power. The question is how jus-

tice among nations is best achieved. We know from day-to-day experience that the chance for a just solution is immeasurably increased when everyone directly interested is given a voice. That does not mean that each must enjoy an equal voice, but it does mean that each must be heard.

Last November, Prime Minister Attlee, Prime Minister MacKenzie King and I announced our proposal that a commission be established within the framework of the United Nations to explore the problems of effective international control of atomic energy.

The Soviet Union, France, and China have joined us in the purpose of introducing in the General Assembly a resolution for the establishment of such a commission. Our earnest wish is that the work of this commission go forward carefully and thoroughly, but with the greatest dispatch. I have great hope for the development of mutually effective safeguards which will permit the fullest international control of this new atomic force.

I believe it possible that effective means can be developed through the United Nations Organization to prohibit, outlaw, and prevent the use of atomic energy for destructive purposes.

The power which the United States demonstrated during the war is the fact that underlies every phase of our relations with other countries. We cannot escape the responsibility which it thrusts upon us. What we think, plan, say, and do is of profound significance to the future of every corner of the world.

The great and dominant objective of United States foreign policy is to build and preserve a just peace. The peace we seek is not peace for twenty years. It is permanent peace. At a time when massive changes are occurring with lightning speed throughout the world, it is often difficult to perceive how this central objective is best served in one isolated complex situation or another. Despite this very real difficulty, there are certain basic propositions to which the United States adheres and to which we shall continue to adhere.

One proposition is that lasting peace requires genuine understanding and active cooperation among the most powerful nations. Another is that even the support of the strongest nations cannot guarantee a peace unless it is infused with the quality of justice for all nations.

On Oct. 27, 1945, I made in New York City, the following public statement of my understanding of the fundamental foreign policy of the United States. I believe that policy to be in accord with the opinion of the Congress and of the people of the United States. I believe that that policy carries out our fundamental objectives.

1. We seek no territorial expansion or selfish advantage. We have no plans for aggression against any other state, large or small. We have no objective which need clash with the peaceful aims of any other nation.

2. We believe in the eventual return of sovereign rights and self-government to all peoples who have been deprived of them by force.

3. We shall approve no territorial changes in any friendly part of the world unless they accord with the freely expressed wishes of the people concerned.

4. We believe that all peoples who are prepared for self-government should be permitted to choose their own form of government by their own freely expressed choice, without interference from any foreign source. That is true in Europe, in Asia, in Africa, as well as in the Western Hemisphere.

5. By the combined and cooperative action of our war allies, we shall help the defeated enemy states establish peaceful democratic governments of their own free choice. And we shall try to attain a world in which nazism, fascism, and military aggression cannot exist.

6. We shall refuse to recognize any government imposed upon any nation by the force of any foreign power. In some cases it may be impossible to prevent forceful imposition of such a government. But the United States will not recognize any such government

7. We believe that all nations should have the freedom of the seas and equal rights to the navigation of boundary rivers and waterways and of rivers and waterways which pass through more than one country.

8. We believe that all states which are accepted in the society of nations should have access on equal terms to the trade and the raw materials of the world.

9. We believe that the sovereign states of the Western Hemisphere, without interference from outside the Western Hemisphere, must work together as good neighbors in the solution of their common problems.

10. We believe that full economic collaboration between all nations, great and small, is essential to the improvement of living conditions all over the world, and to the establishment of freedom from fear and freedom from want.

11. We shall continue to strive to promote freedom of expression and freedom of religion throughout the peace-loving areas of the world.

12. We are convinced that the preservation of peace between nations requires a United Nations Organization composed of all the peace-loving nations of the world who are willing jointly to use force, if necessary, to insure peace.

That is our foreign policy.

We may not always fully succeed in our objectives. There may be instances where the attainment of those objectives is delayed. But we will not give our full sanction and approval to actions which fly in the face of these ideals.

The world has a great stake in the political and economic future of Germany. The Allied Control Council has now been in operation there for a substantial period of time. It has not met with unqualified success. The accomodation of varying views of four governments in the day-to-day civil administration of occupied territory is a challenging task. In my judgment, however, the Council has made encouraging progress in the face of most serious difficulties. It is my purpose at the earliest practicable date to transfer from military to civilian personnel the execution of United States participation in the government of occupied territory in Europe. We are determined that effective control shall be maintained in Germany until we are satisfied that the German people have regained the right to a place of honor and respect.

On the other side of the world, a method of international cooperation has recently been agreed upon for the treatment of Japan. In this pattern of control, the United States, with the full approval of its partners, has retained primary authority and primary responsibility. It will continue to do so until the Japanese people, by their own freely expressed choice, choose their own form of government.

Our basic policy in the Far East is to encourage the development of a strong, independent, united, and democratic China. That has been the traditional policy of the United States.

At Moscow the United States, the Union of Soviet Socialist Republics, and Great Britain agreed to further this development by supporting the efforts of the national government and nongovernmental Chinese political elements in bringing about cessation of civil strife and in broadening the basis of representation in the Government. That is the policy which General Marshall is so ably executing today.

It is the purpose of the Government of the United States to proceed as rapidly as is practicable toward the restoration of the sovereignty of Korea and the establishment of a democratic government by the free choice of the people of Korea.

At the threshold of every problem which confronts us today in international affairs is the appalling devastation, hunger, sickness, and pervasive human misery that mark so many areas of the world.

By joining and participating in the work of the United Nations Relief and Rehabilitation Administration the United States has directly recognized and assumed an obligation to give such relief assistance as is practicable to millions of innocent and helpless victims of the war. The Congress has earned the gratitude of the world by generous financial contributions to the United Nations Relief and Rehabilitation Administration.

We have taken the lead, modest though it is, in facilitating under our existing immigration quotas the admission to the United States of refugees and displaced persons from Eurpoe.

We have joined with Great Britain in the organization of a commission to study the problem of Palestine. The Commission is already at work and its recommendations will be made at an early date.

The members of the United Nations have paid us the high compliment of choosing the United States as the site of the United Nations headquarters. We shall be host in spirit as well as in fact, for nowhere does there abide a fiercer determination that this peace shall live than in the hearts of the American people.

It is the hope of all Americans that in time future historians will speak not of World War I and World War II, but of the first and last world wars.

2. Foreign Economic Policy

The foreign economic policy of the United States is designed to promote our own prosperity, and at the same time to aid in the restoration and expansion of world markets and to contribute thereby to world peace and world security. We shall continue our efforts to provide relief from the devastation of war, to alleviate the sufferings of displaced persons, to assist in reconstruction and development, and to promote the expansion of world trade.

We have already joined the International Monetary Fund and the International Bank for Reconstruction and Development. We have expanded the Export-Import Bank and provided it with additional capital. The Congress has renewed the Trade Agreements Act which provides the necessary framework within which to negotiate a reduction of trade barriers on a reciprocal basis. It has given our support to the United Nations Relief and Rehabilitation Administration.

In accordance with the intentions of the Congress, lend-lease was terminated upon the surrender of Japan. The first of the lend-lease settlement agreements has been completed with the United Kingdom. Negotiations with other lend-lease countries are in progress. In negotiating these agreements, we intend to seek settlements which will not encumber world trade through war debts of a character that proved to be so detrimental to the stability of the world economy after the last war.

We have taken steps to dispose of the goods which on VJ-day were in the lend-lease pipe line to the various lend-lease countries and to allow them long-term credit for the purpose where necessary. We are also making arrangements under which those countries may use the lend-lease inventories in their possession and acquire surplus property abroad to assist in their economic rehabilitation and reconstruction. These goods will be accounted for at fair values.

The proposed loan to the United Kingdom, which I shall recommend to the Congress in a separate message, will contribute to easing the transition problem of one of our major partners in the war. It will enable the whole sterling area and other countries affiliated with it to resume trade on a multilateral basis. Extension of this credit will enable the United Kingdom to avoid discriminatory trade arrangements of the type which destroyed freedom of trade during the 1930's. I consider the progress toward multilateral trade which will be achieved by this agreement to be in itself sufficient warrant for the credit.

The view of this Government is that, in the longer run, our economic prosperity and the prosperity of the whole world are best served by the elimination of artificial barriers to international trade, whether in the form of unreasonable tariffs or tariff preferences or commercial quotas or embargoes or the restrictive practices of cartels.

The United States Government has issued proposals for the expansion of world trade and employment to which the Government of the United Kingdom has given its support on every important issue. These proposals are intended to form the basis for a trade and employment conference to be held in the middle of this year. If that conference is a success, I feel confident that the way will have been adequately prepared for an expanded and prosperous world trade.

We shall also continue negotiations looking to the full and equitable development of facilities for transportation and communications among nations.

The vast majority of the nations of the world have chosen to work together to achieve, on a cooperative basis, world security and world prosperity. The effort cannot succeed without full cooperation of the United States. To play our part, we must not only resolutely carry out the foreign policies we have adopted but also follow a domestic policy which will maintain full production and employment in the United States. A serious depression here can disrupt the whole fabric of the world economy.

3. Occupied Countries

The major tasks of our Military Establishment in Europe following VE-day, and in the Pacific since the surrender of Japan, have been those of occupation and military government. In addition we have given much-needed aid to the peoples of the liberated countries.

The end of the war in Europe found Germany in a chaotic condition. Organized government had ceased to exist, transportation systems had been wrecked, cities and industrial facilities had been bombed into ruins. In addition to the tasks of occupation we had to assume all of the functions of government. Great progress has been made in the repatriation of displaced persons and of prisoners of war. Of the total of 3,500,000 displaced persons found in the United States zone only 460,000 now remain.

The extensive complications involved by the requirement of dealing with three other governments engaged in occupation and with the governments of liberated countries require intensive work and energetic cooperation. The influx of some 2 million German refugees into our zone of occupation is a pressing problem, making exacting demands upon an already overstrained internal economy.

Improvements in the European economy during 1945 have made it possible for our military authorities to relinquish to the governments of all liberated areas, or to the United Nations Relief and Rehabilitation Administration, the responsibility for the provision of food and other civilian relief supplies. The Army's resonsibilities in Europe extend now only to our zones of occupation in Germany and Austria and to two small areas in northern Italy.

By contrast with Germany, in Japan we have occupied a country still possessing an organized and operating governmental system. Although severely damaged, the Japanese industrial and transportation systems have been able to insure at least a survival existence for the population. The repatriation of Japanese military and civilian personnel from overseas is proceeding as rapidly as shipping and other means permit.

In order to insure that neither Germany nor Japan will again be in a position to wage aggressive warfare, the armament-making potential of these countries is being dismantled and fundamental changes in their social and political structures are being effected. Democratic systems are being fostered to the end that the voice of the common man may be heard in the councils of his government.

For the first time in history the legal culpability of war makers is being determined. The trials now in progress in Nurnberg—and those soon to begin in Tokyo—bring before the bar of international justice those individuals who are charged with the responsibility for the sufferings of the past six years. We have high hope that this public portrayal of the guilt of these evildoers will bring wholesale and permanent revulsion on the part of the masses of our former enemies against war, militarism, aggression, and notions of race superiority.

4. Demobilization of Our Armed Forces

The cessation of active campaigning does not mean that we can completely disband our fighting forces. For their sake and for the sake of their loved ones at home, I wish that we could. But we still have the task of clinching the victories we have won—of making certain that Germany and Japan can never again wage aggressive warfare, that they will not again have the means to bring on another world war. The performance of that task requires that, together with our allies, we occupy the hostile areas, complete the disarmanment of our enemies, and take the necessary measures to see to it that they do not rearm.

As quickly as possible, we are bringing about the reduction of our armed services to the size required for these tasks of occupation and disarmament. The Army and the Navy are following both length-of-service and point systems as far as possible in releasing men and women from the service. The points are based chiefly on length and character of service, and on the existence of dependents.

Over 5 million from the Army have already passed through the separation centers.

The Navy, including the Marine Corps and the Coast Guard, has discharged over one and a half million.

Of the 12 million men and women serving in the Army and Navy at the time of the surrender of Germany, one-half have already been released. The greater part of these had to be brought back to this country from distant parts of the world.

Of course there are cases of individual hardship in retention of personnel in the service. There will be in the future. No system of such size can operate to perfection. But the systems are founded on fairness and justice, and they are working at full

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Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

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speed. We shall try to avoid mistakes, injustices, and hardship—as far as humanly possible.

We have already reached the point where shipping is no longer the bottleneck in the return of troops from the European theater. The governing factor now has become the requirement for troops in sufficient strength to carry out their missions.

In a few months the same situation will exist in the Pacific. By the end of June, 9 out of 10 who were serving in the armed forces on VE-day will have been released. Demobolization will continue thereafter, but at a slower rate, determined by our military responsibilities.

Our national safety and the security of the world will require substantial armed forces, particularly in overseas service. At the same time it is imperative that we relieve those who have already done their duty, and that we relieve them as fast as we can. To do that, the Army and the Navy are conducting recruiting drives with considerable success.

The Army has obtained nearly 400,000 volunteers in the past four months, and the Navy has obtained 80,000. Eighty percent of these volunteers for the regular service have come from those already with the colors. The Congress has made it possible to offer valuable inducements to those who are eligible for enlistment. Every effort will be made to enlist the required number of young men.

The War and Navy Departments now estimate that by a year from now we still will need a strength of about 2 million, including officers, for the armed forces—Army, Navy, and Air. I have reviewed their estimates and believe that the safety of the Nation will require the maintenance of an armed strength of this size for the calendar year that is before us.

In case the campaign for volunteers does not produce that number, it will be necessary by additional legislation to extend the Selective Service Act beyond May 16, the date of expiration under existing law. That is the only way we can get the men and bring back our veterans. There is no other way. Action along this line should not be postponed beyond March, in order to avoid uncertainty and disruption.

Domestic Affairs

1. The Economic Outlook

Prophets of doom predicted that the United States could not escape a runaway inflation during the war and an economic collapse after the war. These predictions have not been borne out. On the contrary, the record of economic stabilization during the war and during the period of reconversion has been an outstanding accomplishment.

We know, however, that nothing is as dangerous as overconfidence, in war or in peace. We have had to fight hard to hold the line. We have made strenuous efforts to speed reconversion. But neither the danger of a postwar inflation nor of a subsequent collapse in production and employment is yet overcome. We must base our policies not on unreasoning optimism or pessimism but upon a candid recognition of our objectives and upon a careful analysis of foreseeable trends.

Any precise appraisal of the economic outlook at this time is particularly difficult. The period of demobilization and reconversion is fraught with uncertainties. There are also serious gaps in our statistical information. Certain tendencies are, however, fairly clear and recognition of them should serve as background for the consideration of next year's Federal Program. In general, the outlook for business is good, and it is likely to continue to be good—provided we control inflation and achieve peace in management-labor relations.

Civilian production and employment can be expected to increase throughout the next year. This does not mean, however, that continuing full employment is assured. It is probable that demobilization of the armed forces will proceed faster than the increase in civilian employment opportunities. Even if substantial further withdrawals from the labor market occur, unemployment will increase temporarily. The extent to which this unemployment will persist depends largely on the speed of industrial expansion and the effectiveness of the policies of the Federal Government.

Along with extraordinary demand there are still at this time many critical shortages resulting from the war. These extraordinary demands and shortages may lead to a speculative boom, especially in the price of securities, real estate, and inventories.

Therefore, our chief worry still is inflation.

While we control this inflationary pressure we must look forward to the time when this extraordinary demand will subside. It will be years before we catch up with the demand for housing. The extraordinary demand for other durable goods, for the replenishment of inventories, and for exports may be satisfied earlier. No backlog of demand can exist very long in the face of our tremendous productive capacity. We must expect again to face the problem of shrinking demand and consequent slackening in sales, production, and employment. This possibility of a deflationary spiral in the future will exist unless we now plan and adopt an effective full employment program.

2. General Policies—Immediate and Long-Range

During the war, production for civilian use was limited by war needs and available manpower. Economic stabilization required measures to spread limited supplies equitably by rationing, price controls, increased taxes, savings bond campaigns, and credit controls. Now, with the surrender of our enemies, economic stabilization requires that policies be directed toward promoting an increase in supplies at low unit prices.

We must encourage the development of resources and enterprises in all parts of the country, particularly in underdeveloped areas. For example, the establishment of new peacetime industries in the Western States and in the South would, in my judgment, add to existing production and markets rather than merely bring about a shifting of production. I am asking the Secretaries of Agriculture, Commerce, and Labor to explore jointly methods for stimulating new industries, particularly in areas with surplus agricultural labor.

We must also aid small businessmen and particularly veterans who are competent to start their own businesses. The establishment and development of efficient small business ventures, I believe, will not take away from, but rather will add to, the total business of all enterprises.

Even with maximum encouragement of production, we cannot hope to remove scarcities within a short time. The most serious deficiencies will persist in the fields of residential housing, building materials, and consumers' durable goods. The critical situation makes continued rent control, price control, and priorities, allocations, and inventory controls absolutely essential. Continued control of consumer credit will help to reduce the pressure on prices of durable goods and will also prolong the period during which the backlog demand will be effective.

While we are meeting these immediate needs we must look forward to a long-range program of security and increased standard of living.

The best protection of purchasing power is a policy of full production and full employment opportunities. Obviously, an employed worker is a better customer than an unemployed worker. There always will be, however, some frictional unemployment. In the present period of transition we must deal with such temporary unemployment as results from the fact that demobilization will proceed faster than reconversion or industrial expansion. Such temporary unemployment is probably unavoidable in a period of rapid change. The unemployed worker is a victim of conditions beyond his control. He should be enabled to maintain a reasonable standard of living for himself and his family.

The most serious difficulty in the path of reconversion and expansion is the establishment of a fair wage structure.

The ability of labor and management to work together and the wage and price policies which they develop, are social and economic issues of first importance.

Both labor and management have a special interest. Labor's interest is very direct and personal because working conditions, wages, and prices affect the very life and happiness of the worker and his family.

Management has a no less direct interest because on management rests the responsibility for conducting a growing and prosperous business.

But management and labor have identical interests in the long run. Good wages mean good markets. Good business means more jobs and better wages. In this age of cooperation and in our highly organized economy the problems of one very soon become the problems of all.

Better human relationships are an urgent need to which organized labor and management should address themselves. No government policy can make men understand each other, agree, and get along unless they conduct themselves in a way to foster mutual respect and good will.

The Government can, however, help to develop machinery which, with the backing of public opinion, will assist labor and management to resolve their disagreements in a peaceful manner and reduce the number and duration of strikes.

All of us realize that productivity—increased output per man—is in the long run the basis of our standard of living. Management especially must realize that if labor is to work wholeheartedly for an increase in production, workers must be given a just share of increased output in higher wages.

Most industries and most companies have adequate leeway within which to grant substantial wage increases. These increases will have a direct effect in increasing consumer demand to the high levels needed. Substantial wage increases are good business for business because they assure a large market for their products; substantial wage increases are good business for labor because they increase labor's standard of living; substantial wage increases are good business for the country as a whole because capacity production means an active, healthy, friendly citizenry enjoying the benefits of democracy under our free enterprise system.

Labor and management in many industries have been operating successfully under the Government's wage-price policy. Upward revisions of wage scales have been made in thousands of establishments throughout the Nation since VJ-day. It is estimated that about 6 million workers, or more than 20% of all employees in nonagricultural and nongovernmental establishments, have received wage increases since August 18, 1945. The amounts of increases given by individual employers concentrate between and 10 and 15%, but range from less than 5% to over 30%.

The United States Conciliation Service since VJ-day has settled over 3,000 disputes affecting over 1,300,000 workers without a strike threat and has assisted in settling about 1,300 disputes where strikes were threatened which involved about 500,000 workers. Only workers directly involved, and not those in related industries who might have been indirectly affected, are included in these estimates.

Many of these adjustments have occured in key industries and would have seemed to us major crises if they had not been settled peaceably.

Within the framework of the wage-price policy there has been definite success, and it is to be expected that this success will continue in a vast majority of the cases arising in the months ahead.

However, everyone who realizes the extreme need for a swift and orderly reconversion must feel a deep concern about the number of major strikes now in progress. If long continued, these strikes could put a heavy brake on our program.

I have already made recommendations to the Congress as to the procedure best adapted to meeting the threat of work stoppages in Nation-wide industries without sacrificing the fundamental rights of labor to bargain collectively and ultimately to strike in support of their position.

If we manage our economy properly, the future will see us on a level of production half again as high as anything we have ever accomplished in peacetime. Business can in the future pay higher wages and sell for lower prices than ever before. This is not true now for all companies, nor will it ever be true for all, but for business generally it is true.

We are relying on all concerned to develop, through collective bargaining, wage structures that are fair to labor, allow for necessary business incentives, and conform with a policy designed to "hold the line" on prices.

Production and more production was the byword during the war and still is during the transition from war to peace. However, when deferred demand slackens, we shall once again face the deflationary dangers which beset this and other countries during the 1930's. Prosperity can be assured only by a high level of demand supported by high current income; it cannot be sustained by deferred needs and use of accumulated savings.

If we take the right steps in time we can certainly avoid the disastrous excesses of runaway booms and headlong depressions. We must not let a year or two of prosperity lull us into a false feeling of security and a repetition of the mistakes of the 1920's that culminated in the crash of 1929.

During the year ahead the Government will be called upon to act in many important fields of economic policy from taxation and foreign trade to social security and housing. In every case there will be alternatives. We must choose the alternatives which will best measure up to our need for maintaining production and employment in the future. We must never lose sight of our long-term objectives: the broadening of markets — the maintenance of steadily rising demand. This demand can come from only three sources: consumers, businesses, or government.

In this country the job of production and distribution is in the hands of businessmen, farmers, workers, and professional people—in the hands of our citizens. We want to keep it that way. However, it is the Government's responsibility to help business, labor, and farmers do their jobs.

There is no question in my mind that the Government, acting on behalf of all the people, must assume the ultimate responsibility for the economic health of the Nation. There is no other agency that can. No other organization has the scope or the authority, nor is any other agency accountable to all the people. This does not mean that the Government has the sole responsibility, nor that it can do the job alone, nor that it can do the job directly.

All the policies of the Federal Government must be geared to the objective of sustained full production and full employment—to raise consuming purchasing power and to encourage business investment. The programs we adopt this year and from now on will determine our ability to achieve our objectives. We must continue to pay particular attention to our fiscal, monetary, and tax policy, programs to aid business—especially small business—and transportation, labor-management relations and wage-price policy, social security and health, education, the farm program, public works, housing and resource development, and economic foreign policy.

For example, the kinds of tax measures we have at different times—whether we raise our revenue in a way to encourage consumer spending and business investment or to discourage it—have a vital bearing on this question. It is affected also by regulations on consumer credit and by the money market, which is strongly influenced by the rate of interest on Government securities. It is affected by almost every step we take.

In short, the way we handle the proper functions of government, the way we time the exercise of our traditional and legitimate governmental functions, has a vital bearing on the economic health of the Nation.

These policies are discussed in greater detail in the accompanying Fifth Quarterly Report of the Director of War Mobilization and Reconversion.

3. Legislation Heretofore Recommended and Still Pending

To attain some of these objectives and to meet the other needs of the United States in the reconversion and postwar period, I have from time to time made various recommendations to the Congress.

In making these recommendations I have indicated the reasons why I deemed them essential for progress at home and abroad. A few—a very few—of these recommendations have been enacted into law by the Congress. Most of them have not. I here reiterate some of them, and discuss others later in this Message. I urge upon the Congress early consideration of them. Some are more urgent than others, but all are necessary.

(1) Legislation to authorize the President to create **fact-finding boards** for the prevention of stoppages of work in Nation-wide industries after collective bargaining and conciliation and voluntary arbitration have failed—as recommended by me on December 3, 1945.

(2) Enactment of a satisfactory **full employment bill** such as the Senate bill now in conference between the Senate and the House—as recommended by me on Sept. 6, 1945.

(3) Legislation to supplement the **unemployment insurance benefits** for unemployed workers now provided by the different States—as recommended by me on May 28, 1945.

(4) Adoption of a **permanent Fair Employment Practice Act**—as recommended by me on September 6, 1945.

(5) Legislation substantially raising the amount of **minimum wages** now provided by law—as recommended by me on September 6, 1945.

(6) Legislation providing for a comprehensive program for **scientific research**—as recommended by me on September 6, 1945.

(7) Legislation enacting a **health and medical care program**—as recommended by me on November 19, 1945.

(8) Legislation adopting the program of **universal training**—as recommended by me on October 23, 1945.

(9) Legislation providing an **adequate salary scale for all Government employees** in all branches of the Government—as recommended by me on September 6, 1945.

(10) Legislation making provision for **succession to the Presidency** in the event of the death or incapacity or disqualification of the President and Vice President—as recommended by me on June 19, 1945.

(11) Legislation for the **unification of the armed services**—as recommended by me on December 19, 1945.

(12) Legislation for the **domestic use and control of atomic energy**—as recommended by me on October 3, 1945.

(13) **Retention of the United States Employment Service** in the Federal Government for a period at least up to June 30, 1947—as recommended by me on September 6, 1945.

(14) **Legislation to increase unemployment allowances for veterans** in line with increases for civilians—as recommended by me on September 6, 1945.

(15) **Social security coverage for veterans** for their period of military service—as recommended by me on September 6, 1945.

(16) **Extension of crop insurance**—as recommended by me on September 6, 1945.

(17) Legislation permitting the **sale of ships** by the Maritime Commission at home and abroad—as recommended by me on September 6, 1945. I further recommend that this legislation include adequate authority for chartering vessels both here and abroad.

(18) Legislation to take care of the **stock piling of materials** in which the United States is naturally deficient—as recommended by me on September 6, 1945.

(19) Enacement of **Federal airport legislation**—as recommended by me on September 6, 1945.

(20) Legislation **repealing the Johnson Act** on foreign loans—as recommended by me on September 6, 1945.

(21) Legislation for the **development of the Great Lakes-St. Lawrence River Basin**—as recommended by me on October 3, 1945.

4. Policies in Specific Fields

(a) Extension of Price Control Act

Today inflation is our greatest immediate domestic problem. So far the fight against inflation has been waged successfully. Since May 1943, following President Roosevelt's "hold the line" order and in the face of the greatest pressures which this country has ever seen, the cost of living index has risen only 3%. Wholesale prices in this same period have been held to an increase of 2½%.

This record has been made possible by the vigorous efforts of the agencies responsible for this program. But their efforts would have been fruitless if they had not had the solid support of the great masses of our people. The Congress is to be congratulated for its role in providing the legislation under which this work has been carried out.

On VJ-day it was clear to all thinking people that the danger of inflation was by no means over. Many of us can remember vividly our disastrous experience following World War I. Then the very restricted wartime controls were lifted too quickly, and as a result prices and rents moved more rapidly upward. In the year and a half following the armistice, rents, food, and clothing shot to higher and still higher levels.

When the inevitable crash occurred less than two years after the end of the war, business bankruptcies were widespread. Profits were wiped out. Inventory losses amounted to billions of dollars. Farm income dropped by one-half. Factory pay rolls dropped 40%, and nearly one-fifth of all our industrial workers were walking the streets in search of jobs. This was a grim greeting, indeed, to offer our veterans who had just returned from overseas.

When I addressed the Congress in September, I emphasized that we must continue to hold the price line until the production of goods caught up with the tremendous demands. Since then we have seen demonstrated the strength of the inflationary pressures which we have to face.

Retail sales in the closing months of 1945 ran 12% above the previous peak for that season, which came in 1944. Prices throughout the entire economy have been pressing hard against the price ceilings. The prices of real estate, which cannot now be controlled under the law, are rising rapidly Commercial rents are not included in the present price control law and, where they are not controlled by State law, have been increasing, causing difficulties to many businessmen.

It will be impossible to maintain a high purchasing power or an expanding production unless we can keep prices at levels which can be met by the vast majority of our people. Full production is the greatest weapon against inflation, but until we can produce enough goods to meet the threat of inflation the Government will have to exercise its wartime control over prices.

I am sure that the people of the United States are disturbed by the demands made by several business groups with regard to price and rent control.

I am particularly disturbed at the effect such thinking may have on production and employment. If manufacturers continue to hold back goods and decline to submit bids when invited—as I am informed some are doing, in anticipation of higher prices which would follow the end of price controls—we shall inevitably slow down production and create needless unemployment. On the other hand, there are the vast majority of American businessmen who are not holding back goods, but who need certainty about the Government pricing policy in order to fix their own long-range pricing policies.

Businessmen are entitled therefore to a clear statement of the policy of the Government on the subject. Tenants and housewives, farmers and workers—consumers in general—have an equal right.

We are all anxious to eliminate unnecessary controls just as rapidly as we can do so. The steps that we have already taken in many directions toward that end are a clear indication of our policy.

The present Price Control Act expires on June 30, 1946. If we expect to maintain a steady economy we shall have to maintain price and rent control for many months to come. The inflationary pressures on prices and rents, with relatively few exceptions, are now at an all-time peak. Unless the Price Control Act is renewed there will be no limit to which our price levels would soar. Our country would face a national disaster.

We cannot wait to renew the act until immediately before it expires. Inflation results from psychological as well as economic conditions. The country has a clear right to know where the Congress stands on this all-important problem. Any uncertainty now as to whether the act will be extended gives rise to price speculation, to withholding of goods from the market in anticipation of rising prices, and to delays in achieving maximum production.

I do not doubt that the Congress will be beset by many groups who will urge that the legislation that I have proposed should either be eliminated or modified to the point where it is nearly useless. The Congress has a clear responsibility to meet this challenge with courage and determination. I have every confidence that it will do so.

I strongly urge that the Congress now resolve all doubts and as soon as possible adopt legislation continuing rent and price control in effect for a full year from June 30, 1946.

(b) Food subsidies

If the price line is to be held, if our people are to be protected against the inflationary dangers which confront us, we must do more than extend the Price Control Act. In September we were hopeful that the inflationary pressures would by this time have begun to diminish. We were particularly hopeful on food. Indeed, it was estimated that food prices at retail would drop from 3 to 5% in the first six months following the end of the war.

In anticipation of this decline in food prices, it was our belief that food subsidies could be removed gradually during the winter and spring months, and eliminated almost completely by June 30 of this year. It was our feeling that the food subsidies could be dropped without an increase to the consumer in the present level of food prices or in the over-all cost of living.

As matters stand today, however, food prices are pressing hard against the ceilings. The expected decline in food prices has not occurred, nor is it likely to occur for many months to come. This brings me to the reluctant conclusion that food subsidies must be continued beyond June 30, 1946.

If we fail to take this necessary step, meat prices on July 1 will be from 3 to 5 cents higher than their average present levels; butter will be at least 12 cents a pound higher, in addition to the 5 cents a pound increase of last fall; milk will increase from 1 to 2 cents a quart; break will increase about 1 cent a loaf; sugar will increase over 1 cent a pound; cheese, in addition to the increase of 4 cents now planned for the latter part of this month, will go up an additional 8 cents. In terms of percentages we may find the cost-of-living index for food increased by more than 8%, which in turn would result in more than a 3% increase in the cost of living.

If prices of food were allowed to increase by these amounts, I must make it clear to the Congress that, in my opinion, it would become extremely difficult for us to control the forces of inflation.

None of us like subsidies. Our farmers, in particular, have always been opposed to them.

But I believe our farmers are as deeply conscious as any group in the land of the havoc which inflation can create. Certainly in the past 18 months there has been no group which has fought any harder in support of the Government's price control program. I am confident that, if the facts are placed before them and if they see clearly the evils between which we are forced to choose, they will understand the reasons why subsidies must be continued.

The legislation continuing the use of food subsidies into the new fiscal year should be tied down specifically to certain standards. A very proper requirement, in my opinion, would be that subsidies be removed as soon as it is indicated that the cost of living will decline below the present levels.

(c) Extension of War Powers Act

The Second War Powers Act has recently been extended by the Congress for six months instead of for a year. It will now expire, unless further extended, on June 30, 1946. This act is the basis for priority and inventory controls governing the use of scarce materials, as well as for other powers essential to orderly reconversion.

I think that this Administration has given adequate proof of the fact that it desires to eliminate wartime controls as quickly and as expeditiously as possible. However, we know that there will continue to be shortages of certain materials caused by the war even after June 30, 1946. It is important that businessmen know now that materials in short supply are going to be controlled and distributed fairly as long as these war-born shortages continue.

I, therefore, urge the Congress soon to extend the Second War Powers Act. We cannot afford to wait until just before the act expires next June. To wait would cause the controls to break down in a short time, and would hamper our production and employment program.

(d) Small business and competition

A rising birth rate for small business, and a favorable environment for its growth, are not only economic necessities but also important practical demonstrations of opportunity in a democratic free society. A great many veterans and workers with new skills and experience will want to start in for themselves. The opportunity must be afforded them to do so. They are the small businessmen of the future.

Actually when we talk about small business we are talking about almost all of the Nation's individual businesses. Nine out of every ten concerns fall into this category, and 45% of all workers are employed by them. Between 30 and 40% of the total value of all business transactions are handled by small business.

It is obvious national policy to foster the sound development of small business. It helps to maintain high levels of employment and national income and consumption of the goods and services that the Nation can produce. It encourages the competition that keeps our free enterprise economy vigorous and expanding. Small business, because of its flexibility, assists in the rapid exploitation of scientific and technological discoveries. Investment in small business can absorb a large volume of savings that might otherwise not be tapped.

The Government should encourage and is encouraging small-business initiative and originality to stimulate progress through competition.

During the war, the Smaller War Plants Corporation assisted small concerns to make a maximum contribution to victory. The work of the Smaller War Plants Corporation is being carried on in peacetime by the Federal Loan Agency and the Department of Commerce. The fundamental approach to the job of encouraging small concerns must be based on:

1. Arrangements for making private and public financial resources available on reasonable terms.

2. Provision of technical advice and assistance to business as a whole on production, research, and management problems. This will help equalize competitive relationships between large and small companies, for many of the small companies cannot afford expensive technical research, accounting, and tax advice.

3. Elimination of trade practices and agreements which reduce competition and discriminate against new or small enterprises.

We speak a great deal about the free enterprise economy of our country. It is competition that keeps it free. It is competition that keeps it growing and developing. The truth is that we need far more competition in the future than we have had in the immediate past.

By strangling competition, monopolistic activity prevents or deters investment in new or expanded production facilities. This lessens the opportunity for employment and chokes off new outlets for idle savings. Monopoly maintains prices at artificially high levels and reduces consumption which, with lower prices, would rise and support larger production and higher employment. Monopoly, not being subject to competitive pressure, is slow to take advantage of technical advances which would lower prices or improve quality. All three of these monopolistic activities very directly lower the standard of living—through higher prices and lower quality of product—which free competition would improve.

The Federal Government must protect legitimate business and consumers from predatory and monopolistic practices by the vigilant enforcement of regulatory legislation. The program will be designed to have a maximum impact upon monopolistic bottlenecks and unfair competitive practices hindering expansion in employment.

During the war, enforcement of antimonopoly laws was suspended in a number of fields. The Government must now take major steps not only to maintain enforcement of antitrust laws but to encourage new and competing enterprises in every way. The deferred demand of the war years and the large accumulations of liquid assets provide ample incentive for expansion. Equalizing of business opportunity, under full and free competition, must be a prime responsibility in the reconversion period and in the years that follow. Many leading businessmen have recognized the importance of such action both to themselves and to the economy as a whole.

But we must do more than break up trusts and monopolies after they have begun to strangle competition. We must take positive action to foster new, expanding enterprises. By legislation and by administration we must take specific steps to discourage the formation or the strengthening of competition-restricting business. We must have an over-all antimonopoly policy which can be applied by all agencies of the Government in exercising the functions assigned to them—a policy designed to encourage the formation and growth of new and freely competitive enterprises.

Among the many departments and agencies which have parts in the program affecting business and competition, the Department of Commerce has a particularly important role. That is why I have recommended a substantial increase in appropriations for the next fiscal year for this Department.

In its assistance to industry, the Department of Commerce will concentrate its efforts on these primary objectives: Promotion of a large and well-balanced foreign trade; provision of improved technical assistance and management aids, especially for small enterprises; and strengthening of basic statistics on business operations, both by industries and by regions. To make new inventions and discoveries available more promptly to all businesses, small and large, the Department proposes to expand its own research activities, promote research by universities, improve Patent Office procedures, and develop a greatly expanded system of field offices readily accessible to the businesses they serve.

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Many gaps exist in the private financial mechanism, especially in the provision of long-term funds for small- and medium-sized enterprises. In the peacetime economy the Reconstruction Finance Corporation will take the leadership in assuring adequate financing for small enterprises which cannot secure funds from other sources. Most of the funds should and will be provided by private lenders; but the Reconstruction Finance Corporation will share any unusual risks through guarantees of private loans, with direct loans only when private capital is unwilling to participate on a reasonable basis.

(e) Minimum wage

Full employment and full production may be achieved only by maintaining a level of consumer income far higher than that of the prewar period. A high level of consumer income will maintain the market for the output of our mills, farms, and factories, which we have demonstrated during the war years that we can produce. One of the basic steps which the Congress can take to establish a high level of consumer income is to amend the Fair Labor Standards Act to raise substandard wages to a decent minimum and to extend similar protection to additional workers who are not covered by the present act.

Substandard wages are bad for business and for the farmer. Substandard wages provide only a substandard market for the goods and services produced by American industry and agriculture.

At the present time the Fair Labor Standards Act prescribes a minimum wage of 40 cents an hour for those workers who are covered by the act. The present minimum wage represents an annual income of about $800 to those continuously employed for 50 weeks—clearly a wholly inadequate budget for an American family. I am in full accord with the proposal now pending in the Congress that the statutory minimum be raised immediately to 65 cents an hour, with further increases to 70 cents after one year and to 75 cents after two years. I also favor the proposal that the industry committee procedure be used to set rates higher than 65 cents per hour during the two-year interval before the 75-cent basic wage would otherwise become applicable.

The proposed minimum wage of 65 cents an hour would assure the worker an annual income of about $1,300 a year in steady employment. This amount is clearly a modest goal. After considering cost-of-living increases in recent years, it is little more than a 10-cent increase over the present legal minimum. In fact, if any large number of workers earn less than this amount, we will find it impossible to maintain the levels of purchasing power needed to sustain the stable prosperity which we desire. Raising the minimum to 75 cents an hour will provide the wage earner with an annual income of $1,500 if he is fully employed.

The proposed higher minimum wage levels are feasible without involving serious price adjustments or serious geographical dislocations.

Today about 20% of our manufacturing wage earners—or about 2 million—earn less than 65 cents an hour. Because wages in most industries have risen during the war, this is about the same as the proportion — 17% — who were earning less than 40 cents an hour in 1941.

I also recommend that minimum wage protection be extended to several groups of workers not now covered. The need for a decent standard of living is by no means limited to those workers who happen to be covered by the act as it now stands. It is particularly vital at this period of readjustment in the national economy and readjustment in employment of labor to extend minimum wage protection as far as possible.

Lifting the basic minimum wage is necessary, it is justified as a matter of simple equity to workers, and it will prove not only feasible but also directly beneficial to the Nation's employers.

(f) Agricultural programs

The farmers of America generally are entering the crop year of 1946 in better financial condition than ever before. Farm mortgage debt is the lowest in 30 years. Farmers' savings are the largest in history. Our agricultural plant is in much better condition than after World War I. Farm machinery and supplies are expected to be available in larger volume, and farm labor problems will be less acute.

The demand for farm products will continue strong during the next year or two because domestice purchases will be supplemented by a high level of exports and foreign relief shipments. It is currently estimated that from 7 to 10% of the total United States food supply may be exported in the calendar year 1946.

Farm prices are expected to remain at least at their present levels in the immediate future, and for at least the next 12 months they are expected to yield a net farm income double the 1935-39 average and higher than in any year prior to 1943.

We can look to the future of agriculture with greater confidence than in many a year in the past. Agriculture itself is moving confidently ahead, planning for another year of big production, taking definite and positive steps to lead the way toward an economy of abundance.

Agricultural production goals for 1946 call for somewhat greater acreage than actually was planted in 1945. Agriculture is prepared to demonstrate that it can make a peacetime contribution as great as its contribution toward the winning of the war.

In spite of supplying our armed forces and our allies during the war with a fifth to a fourth of our total food output, farmers were still able to provide our civilians with 8% more food per capita than the average for the five years preceding the war. Since the surrender of Japan, civilian food consumption has risen still further. By the end of 1945 the amount of the increase in food consumption was estimated to be as high as 15% over the prewar average. The record shows that the people of this country want and need more food and that they will buy more food if only they have the jobs and the purchasing power. The first essential therefore in providing fully for the welfare of agriculture is to maintain full employment and a high level of purchasing power throughout the Nation.

For the period immediately ahead we shall still have the problem of supplying enough food. If we are to do our part in aiding the war-stricken and starving countries some of the food desires of our own people will not be completely satisfied, at least until these nations have had an opportunity to harvest another crop. During the next few months the need for food in the world will be more serious than at any time during the war. And, despite the large shipments we have already made, and despite what we shall send, there remain great needs abroad.

Beyond the relief feeding period, there will still be substantial foreign outlets for our farm commodities. The chief dependence of the farmer, however, as always, must be upon the buying power of our own people.

The first obligation of the Government to agriculture for the reconversion period is to make good on its price-support commitments. This we intend to do, with realistic consideration for the sound patterns of production that will contribute most to the long-time welfare of agriculure and the whole Nation. The period during which prices are supported will provide an opportunity for farmers individually to strengthen their position in changing over from a wartime to a peacetime basis of production. It will provide an opportunity for the Congress to review the needs of agriculture and make changes in national legislation where experience has shown changes to be needed. In this connection, the Congress will wish to consider legislation to take the place of the 1937 Sugar Act which expires at the end of this year. During this period we must do a thorough job of basic planning to the end that agriculture shall be able to contribute its full share toward a healthy national economy.

Our long-range agricultural policies should have two main objectives: First, to assure the people on the farms a fair share of the national income; and, second, to encourage an agricultural production pattern that is best fitted to the Nation's needs. To accomplish this second objective we shall have to take into consideration changes that have taken place and will continue to take place in the production of farm commodities—changes that affect costs and efficiency and volume.

What we seek ultimately is a high level of food production and consumption that will provide good nutrition for everyone. This cannot be accomplished by agriculture alone. We can be certain of our capacity to produce food, but we have often failed to distribute it as well as we should and to see that our people can afford to buy it. The way to get good nutrition for the whole Nation is to provide employment opportunities and purchasing power for all groups that will enable them to buy full diets at market prices.

Wherever purchasing power fails to reach this level we should see that they have some means of getting adequate food at prices in line with their ability to buy. Therefore, we should have available supplementary programs that will enable all our people to have enough of the right kind of food.

For example, one of the best possible contributions toward building a stronger, healthier Nation would be a permanent school-lunch program on a scale adequate to assure every school child a good lunch at noon. The Congress, of course, has recognized this need for a continuing school-lunch program and legislation to that effect has been introduced and hearings held. The plan contemplates the attainment of this objective with a minimum of Federal expenditures. I hope that the legislation will be enacted in time for a permanent program to start with the beginning of the school year next fall.

We have the technical knowledge and the productive capacity to provide plenty of good food for every man, woman, and child in the United States. It is time we made that possibility a reality.

(g) Resource development

The strength of our Nation and the welfare of the people rest upon the natural resources of the country. We have learned that proper conservation of our lands, including our forests and minerals, and wise management of our waters will add immensely to our national wealth.

The first step in the Government's conservation program must be to find out just what are our basic resources, and how they should be used. We need to take, as soon as possible, an inventory of the lands, the minerals, and the forests of the Nation.

During the war, it was necessary to curtail some of our long-range plans for development of our natural resources, and to emphasize programs vital to the prosecution of the war. Work was suspended on a number of flood control and reclamation projects and on the development of our national forests and parks. This work must now be resumed, and new projects must be undertaken to provide essential services and to assist in the process of economic development.

The rivers of America offer a great opportunity to our generation in the management of the national wealth. By a wise use of Federal funds, most of which will be repaid into the Treasury, the scourge of floods and drought can be curbed, water can be brought to arid lands, navigation can be extended, and cheap power can be brought alike to the farms and to the industries of our land.

Through the use of the waters of the Columbia River, for example, we are creating a rich agricultural area as large as the State of Delaware. At the same time, we are producing power at Grand Coulee and at Bonneville which played a mighty part in winning the war and which will found a great peacetime industry in the Northwest. The Tennessee Valley Authority will resume its peacetime program of promoting full use of the resources of the Valley. We shall continue our plans for the development of the Missouri Valley, the Arkansas Valley, and the Central Valley of California.

The Congress has shown itself alive to the practical requirements for a beneficial use of our water resources by providing that preference in the sale of power be given to farmers' cooperatives and public agencies. The public power program thus authorized must continue to be made effective by building the necessary generating and transmission facilities to furnish the maximum of firm power needed at the wholesale markets, which are often distant from the dam sites.

These great developmental projects will open the frontiers of agriculture, industry, and commerce. The employment opportunities thus offered will also go far to ease the transition from war to peace.

(h) Public Works

During the war even urgently needed Federal, State, and local construction projects were deferred in order to release resources for war production. In resuming public works construction, it is desirable to proceed only at a moderate rate, since demand for private construction will be abnormally high for some time. Our public works program should be timed to reach its peak after demand for private construction has begun to taper off. Meanwhile, however, plans should be prepared if we are to act promptly when the present extraordinary private demand begins to run out.

The Congress made money available to Federal agencies for their public works planning in the fiscal year 1946. I strongly recommend that this policy be continued and extended in the fiscal year 1947.

State and local governments also have an essential role to play in a national public works program. In my message of Sept. 6, 1945, I recommended that the Congress vote such grants to State and local governments as will insure that each level of government makes its proper contribution to a balanced public construction program. Specifically, the Federal Government should aid State and local governments in planning their own public works programs, in undertaking projects related to Federal programs of regional development, and in constructing such public works as are necessary to carry out the various policies of the Federal Government.

Early in 1945 the Congress made available advances to State and local governments for planning public works projects, and recently made additional provision to continue these advances through the fiscal year 1946. I believe that further appropriations will be needed for the same purpose for the fiscal year 1947.

The Congress has already made provision for highway programs. It is now considering legislation which would expand Federal grants and loans in several other fields, including construction of airports, hospital and health centers, housing, water pollution control facilities, and educational plant facilities. I hope that early action will be taken to authorize these Federal programs.

With respect to public works of strictly local importance, State and local governments should proceed without Federal assistance except in planning. This rule should be subject to review when and if the prospect of highly adverse general economic developments warrants it.

All loans and grants for public works should be planned and administered in such a way that they are brought into accord with the other elements of the Federal Program.

Our long-run objective is to achieve a program of direct Federal and Federally assisted public works which is planned in advance and synchronized with business conditions. In this way it can make its greatest contribution to general economic stability.

(i) National housing program

Last September I stated in my message to the Congress that housing was high on the list of matters calling for decisive action. Since then the housing shortage in countless communities, affecting millions of families, has magnified this call to action.

Today we face both an immediate emergency and a major post-war problem.

Since VJ-day the wartime housing shortage has been growing steadily worse and pressure on real estate values has increased. Returning veterans often cannot find a satisfactory place for their families to live, and many who buy have to pay exorbitant prices. Rapid demobilization inevitably means further overcrowding.

A realistic and practical attack on the emergency will require aggressive action by local governments, with Federal aid, to exploit all opportunities and to give the veterans as far as possible first chance at vacancies. It will require continuation of rent control in shortage areas as well as legislation to permit control of sales prices. It will require maximum conversion of temporary war units for veterans' housing and their transportation to communities with the most pressing needs; the Congress has already appropriated funds for this purpose.

The inflation in the price of housing is growing daily.

As a result of the housing shortage, it is inevitable that the present dangers of inflation in home values will continue unless the Congress takes action in the immediate future.

Legislation is now pending in the Congress which would provide for ceiling prices for old and new houses. The authority to fix such ceilings is essential. With such authority, our veterans and other prospective home owners would be protected against a skyrocketing of home prices. The country would be protected from the extension of the present inflation in

home values which, if allowed to continue, will threaten not only the stabilization program but our opportunities for attaining a sustained high level of home construction.

Such measures are necessary stopgaps—but only stopgaps. This emergency action, taken alone, is good—but not enough. The housing shortage did not start with the war or with demobilization; it began years before that and has steadily accumulated. The speed with which the Congress establishes the foundation for a permanent, long-range housing program will determine how effectively we grasp the immense opportunity to achieve our goal of decent housing and to make housing a major instrument of continuing prosperity and full employment in the years ahead. It will determine whether we move forward to a stable and healthy housing enterprise and toward providing a decent home for every American family.

Production is the only fully effective answer. To get the wheels turning, I have appointed an emergency housing expediter. I have approved establishment of priorities designed to assure an ample share of scarce materials to builders of houses for which veterans will have preference. Additional price and wage adjustments will be made where necessary, and other steps will be taken to stimulate greater production of bottleneck items. I recommend consideration of every sound method for expansion in facilities for insurance of privately financed housing by the Federal Housing Administration and resumption of previously authorized low-rent public housing projects suspended during the war.

In order to meet as many demands of the emergency situation as possible, a program of emergency measures is now being formulated for action. These will include steps in addition to those already taken. As quickly as this program can be formulated, announcement will be made.

Last September I also outlined to the Congress the basic principles of the kind of decisive, permanent legislation necessary for a long-range housing program.

These principles place paramount the fact that housing construction and financing for the overwhelming majority of our citizens should be done by private enterprise. They contemplate also that we afford governmental encouragement to privately financed house construction for families of moderate income, through extension of the successful system of insurance of housing investment; that research be undertaken to develop better and cheaper methods of building homes; that communities be assisted in appraising their housing needs; that we commence a program of Federal aid, with fair local participation, to stimulate and promote the rebuilding and redevelopment of slums and blighted areas—with maximum use of private capital. It is equally essential that we use public funds to assist families of low income who could not otherwise enjoy adequate housing, and that we quicken our rate of progress in rural housing.

Legislation now under consideration by the Congress provides for a comprehensive attack jointly by private enterprise, State and local authorities, and the Federal Government. This legislation would make permanent the National Housing Agency and give it authority and funds for much needed technical and economic research. It would provide additional stimulus for privately financed housing construction. This stimulus consists of establishing a new system of yield insurance to encourage large-scale investment in rental housing and broadening the insuring powers of the Federal Housing Administration and the lending powers of the Federal savings and loan associations.

Where private industry cannot build, the Government must step in to do the job. The bill would encourage expansion in housing available for the lowest income groups by continuing to provide direct subsidies for low-rent housing and rural housing. It would facilitate land assembly for urban redevelopment by loans and contributions to local public agencies where the localities do their share.

Prompt enactment of permanent housing legislation along these lines will not interfere with the emergency action already under way. On the contrary, it would lift us out of a potentially perpetual state of housing emergency. It would offer the best hope and prospect to millions of veterans and other American families that the American system can offer more to them than temporary makeshifts.

I have said before that the people of the United States can be the best housed people in the world. I repeat that assertion, and I welcome the cooperation of the Congress in achieving that goal.

(j) Social security and health

Our Social Security System has just celebrated its tenth anniversary. During the past decade this program has supported the welfare and morale of a large part of our people by removing some of the hazards and hardships of the aged, the unemployed, and widows and dependent children.

But, looking back over 10 years' experience and ahead to the future, we cannot fail to see defects and serious inadequacies in our system as it now exists. Benefits are in many cases inadequate; a great many persons are excluded from coverage; and provision has not been made for social insurance to cover the cost of medical care and the earnings lost by the sick and the disabled.

In the field of old-age security, there seems to be no adequate reason for excluding such groups as the self-employed, agricultural and domestic workers, and employes of nonprofit organizations. Since many of these groups earn wages too low to permit significant savings for old age, they are in special need of the assured income that can be provided by old-age insurance.

We must take urgent measures for the readjustment period ahead. The Congress for some time has been considering legislation designed to supplement at Federal expense, during the immediate reconversion period, compensation payments to the unemployed. Again I urge the Congress to enact legislation liberalizing unemployment compensation benefits and extending the coverage. Providing for the sustained consumption by the unemployed persons and their families is more than a welfare policy; it is sound economic policy. A sustained high level of consumer purchases is a basic ingredient of a prosperous economy.

During the war, nearly 5 million men were rejected for military service because of physical or mental defects which in many cases might have been prevented or corrected. This is shocking evidence that large sections of the population are at substandard levels of health. The need for a program that will give everyone opportunity for medical care is obvious. Nor can there be any serious doubt of the Government's responsibility for helping in this human and social problem.

The comprehensive health program which I recommended on Nov. 19, 1945, will require substantial additions to the Social Security System and, in conjunction with other changes that need to be made, will require further consideration of the financial basis for social security. The system of prepaid medical care which I have recommended is expected eventually to require amounts equivalent to 4% of earnings up to $3,600 a year, which is about the average of present expenditures by individuals for medical care. The pooling of medical costs, under a plan which permits each individual to make a free choice of doctor and hospital, would assure that individuals receive adequate treatment and hospitalization when they are faced with emergencies for which they cannot budget individually. In addition, I recommended insurance benefits to replace part of the earnings lost through temporary sickness and permanent disability.

Even without these proposed major additions, it would now be time to undertake a thorough reconsideration of our social security laws. The structure should be expanded and liberalized. Provision should be made for extending coverage credit to veterans for the period of their service in the armed forces. In the financial provisions we must reconcile the actuarial needs of social security, including health insurance, with the requirements of a revenue system that is designed to promote a high level of consumption and full employment.

(k) Education

Although the major responsibility for financing education rests with the States, some assistance has long been given by the Federal Government. Further assistance is desirable and essential. There are many areas and some whole States where good schools cannot be provided without imposing an undue local tax burden on the citizens. It is essential to provide adequate elementary and secondary schools everywhere, and additional educational opportunities for large numbers of people beyond the secondary level. Accordingly, I repeat the proposal of last year's Budget Message that the Federal Government provide financial aid to assist the States in assuring more nearly equal opportunities for a good education. The proposed Federal grants for current educational expenditures should be made for the purpose of improving the educational system where improvement is most needed. They should not be used to replace existing non-Federal expenditures, or even to restore merely the situation which existed before the war.

In the future we expect incomes considerably higher than before the war. Higher incomes should make it possible for State and local governments and for individuals to support higher and more nearly adequate expenditures for education. But inequality among the States will still remain, and Federal help will still be needed.

As a part of our total public works program, consideration should be given to the need for providing adequate buildings for schools and other educational institutions. In view of current arrears in the construction of educational facilities, I believe that legislation to authorize grants for educational facilities, to be matched by similar expenditures by State and local authorities, should receive the favorable consideration of the Congress.

The Federal Government has not sought, and will not seek, to dominate education in the States. It should continue its historic role of leadership and advice and, for the purpose of equalizing educational opportunity, it should extend further financial support to the cause of education in areas where this is desirable.

(l) Federal Government personnel

The rapid reconversion of the Federal Government from war to peace is reflected in the demobilization of its civilian personnel. The number of these employees in continental United States has been reduced by more than 500,000 from the total of approximately 2,900,000 employed in the final months of the war. I expect that by next June we shall have made a further reduction of equal magnitude and that there will be continuing reductions during the next fiscal year. Of the special war-time agencies now remaining, only a few are expected to continue actively into the next fiscal year.

At the same time that we have curtailed the number of employees, we have shortened the work-week by one-sixth or more throughout the Government and have restored holidays. The process of readjustment has been complicated and costs have been increased by a heavy turn-over in the remaining personnel—particularly by the loss of some of our best administrators. Thousands of war veterans have been reinstated or newly employed in the civil service. Many civilians have been transferred from war agencies to their former peace-time agencies. Recruitment standards, which had to be relaxed during the war, are now being tightened.

The elimination last autumn of overtime work for nearly all Federal employees meant a sharp cut in their incomes. For salaried workers, the blow was softened but by no means offset by the increased rates of pay which had become effective July 1. Further adjustments to compensate for increased living costs are required. Moreover, we have long needed a general upward revision of Federal Government salary scales at all levels in all branches—legislative, judicial, and executive. Too many in Government have had to sacrifice too much in economic advantage to serve the Nation.

Adequate salaries will result in economies and improved efficiency in the conduct of Government business—gains that will far outweigh the immediate costs. I hope the Congress will expedite action on salary legislation for all Federal employees in all branches of the Government. The only exception I would make is in the case of workers whose pay rates are established by wage boards; a blanket adjustment would destroy the system by which their wages are kept alined with prevailing rates in particular localities. The wage boards should be sensitive now, as they were during the war, to changes in local prevailing wage rates and should make adjustments accordingly.

I hope also that the Congress may see fit to enact legislation for the adequate protection of the health and safety of Federal employees, for their coverage under a system of unemployment compensation, and for their return at Government expense to their homes after separation from war-time service.

(m) Territories, insular possessions, and the District of Columbia

The major governments of the world face few problems as important and as perplexing as those relating to dependent peoples. This Government is committed to the democratic principle that it is for the dependent peoples themselves to decide what their status shall be. To this end I asked the Congress last October to provide a means by which the people of Puerto Rico might choose their form of government and ultimate status with respect to the United States. I urge, too, that the Congress promptly accede to the wishes of the people of Hawaii that the Territory be admitted to statehood in our Union, and that similar action be taken with respect to Alaska as soon as it is certain that this is the desire of the people of that great Territory. The people of the Virgin Islands should be given an increasing measure of self-government.

We have already determined that the Philippine Islands are to be independent on July 4, 1946. The ravages of war and enemy occupation, however, have placed a heavy responsibility upon the United States. I urge that the Congress complete, as promptly and as generously as may be possible, legislation which will aid economic rehabilitation for the Philippines. This will be not only a just acknowledgment of the loyalty of the people of the Philippines, but it will help to avoid the economic chaos which otherwise will be their heritage from our common war. Perhaps no event in the long centuries of colonialism gives more hope for the pattern of the future than the independence of the Philippines.

The District of Columbia, because of its special relation to the Federal Government, has been treated since 1800 as a dependent area. We should move toward a greater measure of local self-government consistent with the constitutional status of the District. We should take adequate steps to assure that citizens of the United States are not denied their franchise merely because they reside at the Nation's Capital.

III. The Budget for the Federal Program for the Fiscal Year 1947

Summary of the Budget

For the first time since the fiscal year 1930 the Budget for the next fiscal year will require no increase in the national debt.

Expenditures of all kinds, authorized and recommended in the next year are estimated at just above 35.8 billion dollars. Net receipts are estimated at 31.5 billion dollars. The estimated difference of 4.3 billion dollars will be met by a reduction in the very substantial balance which will be in the Treasury during the next fiscal year.

A large part of the activities outside defense and war liquidation, aftermath of war, and international finance, classified as "other activities" in a following table, is still due to repercussions of the war. These "other activities" include more than 2 billion dollars for aids to agriculture and net outlays for the Commodity Credit Corporation—almost double the expenditures for the same purposes in prewar years. This increase is due mainly to expenditures for purposes of price stabilization and price support resulting from the war food production program. Other increases in this category are due to the fact that certain wartime agencies now in the process of liquidation are included in this group of activities. If all expenditures for those activities which are directly or indirectly related to the war are excluded, the residual expenditures are below those for corresponding activities in prewar years. In making this comparison account should be taken of the fact that while prewar expenditures were affected by direct relief and work relief for the unemployed, the postwar budgets are affected by the considerable increase in pay rates and other increases in costs and prices.

To elaborate, the Budget, as I have remarked above, reflects on both sides of the ledger the Government's program as recommended by the Executive. It includes estimates not only of expenditures and receipts for which legislative authority already exists, but also of expenditures and receipts for which authorization is recommended.

The Budget total for the next fiscal year, the year that ends on June 30, 1947, is estimated at just above 35.8 billion dollars—about a third of the budgets for global war, although nearly four times the prewar budgets. This estimate is based on the assumption that a rapid liquidation of the war program will be associated with rapid reconversion and expansion of peacetime production. The total includes net outlays of Government corporations.

The estimated expenditures in the next and current fiscal year compare as follows with those of a year of global war and a prewar year (see page 450).

Although allowances for occupation, demobilization, and defense are drastically reduced in the fiscal year 1947, they will still

(Continued on page 450)

Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

(Continued from page 449)

Fiscal year:	Total Budget expenditures (in millions)
1947	$35,860
1946	67,229
1945	100,031
1940	9,252

amount to 42% of the total Budget. The so-called "aftermath of war" expenditures account for a further 30% of the total. The total of all other programs, which was drastically cut during the war, is increasing again as liquidation of the war program proceeds and renewed emphasis is placed on the peacetime objectives of the Government.

On the other side of the ledger, net receipts are estimated at 31.5 billion dollars. This estimate assumes that all existing taxes will continue all through the fiscal year 1947. Included are the extraordinary receipts from the disposal of surplus property.

As a result, estimated expenditures will exceed estimated receipts by 4.3 billion dollars. This amount can be provided by a reduction in the cash balance in the

Federal Budget Expenditures and Budget Receipts

Including net outlays of Government corporations and credit agencies

(based on existing and proposed legislation)

(In Millions)

	Fiscal Year 1946	Fiscal Year 1947
Expenditures:		
Defense, war, and war liquidation	$49,000	$15,000
Aftermath of war: Veterans, interest, refunds	10,813	10,793
Internat'l finance (incl. proposed legislation)	2,614	2,754
Other activities	4,552	5,813
Activities based on proposed legislation (excluding international finance)	250	1,500
Total expenditures	$67,229	$35,860
Receipts (net)	38,609	31,513
Excess of expenditures	$28,620	$4,347

Treasury. Thus, after a long period of increasing public debt resulting from depression budgets and war budgets, it is anticipated that no increase in the Federal debt will be required next year.

The current fiscal year, 1946, is a year of transition. When the year opened, in July 1945, we were still fighting a major war, and Federal expenditures were running at an annual rate of about 100 billion dollars. By June 1946 that rate will be more than cut in half. The Budget total for the current fiscal year is now estimated at 67.2 billion dollars, of which more than two-thirds provides for war and war liquidation. Since net receipts are estimated at 38.6 billion dollars, there will be an excess of expenditures of 28.6 billion dollars for the current fiscal year.

For all programs discussed in this Message I estimate the total of Budget appropriations and authorizations (including reappropriations and permanent appropriations) at 30,982 million dollars for the fiscal year 1947. Of this amount, present permanent appropriations are expected to provide 5,755 million dollars, principally for interest. This leaves 24,224 million dollars to be made available through new appropriations, exclusive of appropriations to liquidate contract authorizations; 900 million dollars in new contract authorizations; and 103 million dollars through the reappropriation of unliquidated balances of previous appropriations. The appropriations needed to liquidate contract authorizations are estimated at 1,113 million dollars.

In the Budget for the year ahead only over-all estimates are included at this time for the major war agencies and for net outlays of Government corporations. Detailed recommendations will be transmitted in the spring for the war agencies; and the business-type budgets of Government corporations will likewise be transmitted in accordance with the recently adopted Government Corporation Control Act.

Similarly, only over-all estimates are provided for new programs recommended in this Message; detailed recommendations will be transmitted after authorizing legislation has been enacted. It should be recognized that many of the estimates for new programs recommended in this Message are initial year figures. These figures will be affected by the date the legislation is enacted and by the time needed for getting a program under way. New programs, such as that for a national research agency, will require larger amounts in later years. The estimates exclude major elements of the proposed national health program since the greater part of these will be covered by expenditures from trust funds.

The Budget total includes expenditures for capital outlay as well as for current operations. An estimated 1,740 million dollars will be expended in the fiscal year 1947 for direct Federal public works and for loans and grants for public works.

THE GOVERNMENT'S BUDGET AND THE NATION'S BUDGET

Calendar Year 1944 and October-December 1945

(In Billions)

Economic group—	Calendar year 1944 (global war) Receipts	Expenditures	Exess (+), deficit (—)	October-December 1945 (start of reconversion) (in seasonally adjusted annual rates) Receipts	Expenditures	Excess (+), deficit (—)
Consumers—						
Income after taxes	$134			$132		
Expenditures		$98			$107	
Excess of receipts, savings (+)			+$35			+$25
Business—						
Undistrib. profits and reserves	$13			$9		
Gross capital formation:						
Domestic		$4			$15	
*Net exports		—2			1	
Total, gross cap. formation		2			16	
Excess of receipts (+) or capital formation (—)			+$11			—$7
State and Local Government—						
Receipts from the public, other than borrowing	$10			$11		
Payments to the public		$8			$9	
Excess of receipts (+)			+$2			+$2
Federal Government—						
Receipts from the public, other than borrowing	$48			$44		
Payments to the public		$96			$64	
Excess of payments (—)			—$48			—$20
†Less: Adjustments	$7	$7		$14	$14	
Total: Gross Nat'l Product—						
Receipts	$198			$182		
Expenditures		$198			$182	
Balance			0			0

NOTE—See corresponding table in part III, page 728, for detailed estimates and explanations.

*Excludes exports for lend-lease and relief which are included in Federal Government expenditures.

†Mainly government expenditures for other than goods and services, such as mustering-out pay and unemployment compensation.

The Economic Impact of the Liquidation of the War Program

Government programs are of such importance in the development of production and employment opportunities—domestic and international—that it has become essential to formulate and consider the Federal Budget in the light of the Nation's budget as a whole. The relationship between the receipts, expenditures, and savings of consumers, business, and government is shown in the accompanying table.

Considering the whole Nation, total expenditures must equal the total receipts, because what any individual or group spends becomes receipts of other individuals or groups. Such equality can be achieved on either a high level of incomes or on a low or depression level of incomes.

Tremendous orders for munitions during the war shifted production and employment into high gear. Total goods produced and services rendered for private as well as for Government purposes—the Nation's budget — reached about 200 billion dollars in the calendar year 1944. Federal, State, and local government expenditures represented half of this total.

Corresponding estimates for the past 3 months depict the national economy in the process of demobilization and reconversion.

The wartime annual rate of Federal expenditures has been reduced by 32 billion dollars, while the Nation's budget total has dropped only half as much. The drop in total value of production and services has been less drastic because increasing private activities have absorbed in large measure the manpower and materials released from war production and war services.

The largest increase in private activities has occurred in business investments, which include residential and other construction, producers' durable equipment, accumulation of inventories, and net exports. Under conditions of global war, expenditures for private construction and equipment were held to a minimum and inventories were depleted. With the beginning of reconversion these developments have been reversed. Residential construction and outlays for plant and equipment are on the increase; inventories, too, are being replenished. International transactions (excluding lend-lease and international relief, which are included under war expenditures) showed an import surplus under conditions of global war. In the past 3 months private exports have been slightly in excess of imports, for the first time since 1941.

Consumers' budgets show a significant change. On the income side, their total has declined but little because the reduction in "take-home" pay of war workers is, to a large extent, offset for the time being by the mustering-out payments received by war veterans and by unemployment compensation received by the unemployed. On the expenditure side, however, consumers' budgets, restricted during the war, have increased substantially as a result of the fact that scarce goods are beginning to appear on the market and wartime restraints are disappearing. Thus, consumers' current savings are declining substantially from the extraordinarily high wartime rate and some wartime savings are beginning to be used for long-delayed purchases.

Unemployment has increased less than was expected during this first period of demobilization and reconversion. It is true that 6 million men and women have been discharged from the armed forces since May 1945 and more than 5 million have been laid off from war work. On the other hand, more than a million civilians have been enlisted in the armed forces, a considerable number of war veterans have not immediately sought jobs, and many war workers, especially women, have withdrawn from the labor force. In addition, many industries, and especially service trades which were undermanned during the war, are beginning now, for the first time in years to recruit an adequate labor force. The reduced workweek has also contributed to the absorption of those released from war service and war work.

In general, the drastic cut in war programs has thrown the economy into lower gear; it has not thrown it out of gear. Our economic machine demonstrates remarkable resiliency, although there are many difficulties that must still be overcome. The rapid termination of war contracts, prompt clearance of unneeded Government-owned equipment from private plants, and other reconversion policies have greatly speeded up the beginning of peacetime work in reconverted plants.

Although the first great shock of demobilization and war-work termination has thus been met better than many observers expected, specific industries and specific regions show much unevenness in the progress of reconversion.

The Quarterly Report of the Director of War Mobilization and Reconversion analyzes the difficulties in recruiting personnel and obtaining materials that hamper reconversion in certain industries and proposes policies to deal with these situations. The lack of adequate housing is one of the main factors checking the flow of workers into areas where job opportunities exist.

Federal Revenue, Borrowing, and the Public Debt

1. Financial Requirements and Tax Policy

Recommendations for tax legislation should be considered not only in the light of the financial requirements of the ensuing year, but also in the light of future years' financial requirements and a full consideration of economic conditions.

Expenditures are estimated at nearly 36 billion dollars in the fiscal year 1947; they can hardly be expected to be reduced to less than 25 billion dollars in subsequent years. Net receipts in the fiscal year 1947 are estimated at 31.5 billion dollars.

Included in this estimate are 2 billion dollars of receipts from disposal and rental of surplus property and 190 million dollars of receipts from renegotiation of wartime contracts. These sources of receipts will disappear in future years. Tax collections for the fiscal year 1947 also will not yet fully reflect the reduction in corporate tax liabilities provided in the Revenue Act of 1945. If the extraordinary receipts from the disposal of surplus property and renegotiation of contracts be disregarded, and if the tax reductions adopted in the Revenue Act of 1945 were fully effective, present tax rates would yield about 27 billion dollars.

These estimates for the fiscal year 1947 are based on the assumption of generally favorable business conditions but not on an income reflecting full employment and the high productivity that we hope to achieve. In future years the present tax system, in conjunction with a full employment level of national income, could be expected to yield more than 30 billion dollars, which is substantially above the anticipated peacetime level of expenditures.

In view of the still extraordinarily large expenditures in the coming year and continuing inflationary pressures, I am making no recommendation for tax reduction at this time.

We have already had a substantial reduction in taxes from wartime peaks. The Revenue Act of 1945 was a major tax-reduction measure. It decreased the total tax load by more than one-sixth, an amount substantially in excess of the reductions proposed by the Secretary of the Treasury to congressional tax committees in October, 1945. These proposed reductions were designed to encourage reconversion and peacetime business expansion.

The possibility of further tax reductions must depend on the budgetary situation and the economic situation. The level of anticipated expenditures for the fiscal year 1947 and the volume of outstanding public debt require the maintenance of large revenues. Moreover, inflationary pressures still appear dangerously powerful, and ill-advised tax reduction would operate to strengthen them still further.

My decision not to recommend additional tax reductions at this time is made in the light of existing economic conditions and prospects.

2. Borrowing and the Public Debt

The successful conclusion of the Victory loan marked the end of war borrowing and the beginning of the transition to postwar debt management.

Because of the success of the Victory loan, I am happy to report that the Treasury will not need to borrow any new money from the public during the remainder of the present fiscal year except through regular sales of savings bonds and savings notes. Furthermore, a part of the large cash balance now in the Treasury will be used for debt redemption so that the public debt which now amounts to about 278 billion dollars will decrease by several billion dollars during the next 18 months. The present statutory debt limit of 300 billion dollars will provide an ample margin for all of the public-debt transactions through the fiscal year 1947. The net effect of the excess of expenditures and debt redemption on the Treasury cash balance, as compared with selected previous years, is shown in the table below:

Although the public debt is expected to decline, a substantial volume of refinancing will be required, because of the large volume of maturing obligations. Redemptions of savings bonds also have been running high in recent

Excess of Budget Expenditures, the Public Debt, and the Treasury Cash Balance in Selected Years

(In billions)

Fiscal year—	Excess of Budget expenditures over receipts	Public debt At end of period	balance
1940	$3.9	$43.0	$1.9
1945	53.6	258.7	24.7
1946:			
July-Dec. 1945	18.1	278.1	26.0
Jan.-June 1946	10.5	275.0	11.9
1947	4.3	271.0	3.2

months and are expected to remain large for some time. The issuance of savings bonds will be continued. These bonds represent a convenient method of investment for small savers, and also an anti-inflationary method of refinancing. Government agencies and trust funds are expected to buy about 2.5 billion dollars of Government securities during the next 6 months, and 2.8 billion dollars more during the fiscal year 1947. Through these and other debt operations, the distribution of the Federal debt among the various types of public and private owners will change, even though the total is expected to decline.

The interest policies followed in the refinancing operations will have a major impact not only on the provision for interest payments in future budgets, but also on the level of interest rates prevailing in private financing. The average rate of interest on the debt is now a little under 2%. Low interest rates will be an important force in promoting the full production and full employment in the postwar period for which we are all striving. Close wartime cooperation between the Treasury Department and the Federal Reserve System has made it possible to finance the most expensive war in history at low and stable rates of interest. This cooperation will continue.

No less important than the level of interest rates paid on the debt is the distribution of its ownership. Of the total debt, more than half represents direct savings of individuals or investments of funds received from individual savings by life insurance companies, mutual savings banks, savings and loan associations, private or Government trust funds, and other agencies.

Most of the remaining debt—more than 100 billion dollars—is held by the commercial banks and the Federal Reserve banks. Heavy purchases by the banks were necessary to provide adequate funds to finance war expenditures. A considerable portion of these obligations are short-term in character and hence will require refinancing in the coming months and years. Since they have been purchased out of newly created bank funds, continuance of the present low rates of interest is entirely appropriate. To do otherwise would merely increase bank profits at the expense of the taxpayer.

The 275 - billion - dollar debt poses a problem that requires careful consideration in the determination of financial and economic policies. We have learned that the problem, serious as it is, can be managed. Its management will require determined action to keep our Federal Budget in order and to relate our fiscal policies to the requirements of an expanding economy. The more successful we are in achieving full production and full employment the easier it will be to manage the debt and pay for the debt service. Large though the debt is, it is within our economic capacity. The interest charges on it amount to but a small proportion of our national income. The Government is determined, by a resolute policy of economic stabilization, to protect the interests of the millions of American citizens who have invested in its securities.

During the past 6 months the net revenue receipts of the Federal Government have been about 20 billion dollars, almost as much as during the closing 6 months of 1944 when the country was still engaged in all-out warfare. The high level of these receipts reflects the smoothness of the reconversion and particularly the strength of consumer demand. But the receipts so far collected, it must be remembered, do not reflect any of the tax reductions made by the Revenue Act of 1945. These reductions will not have their full effect on the revenue collected until the fiscal year 1948.

It is good to move toward a balanced budget and a start on the retirement of the debt at a time when demand for goods is strong and the business outlook is good. These conditions prevail today. Business is good and there are still powerful forces working in the direction of inflation. This is not the time for tax reduction.

Recommendations for Specific Federal Activities

1. War Liquidation and National Defense

(a) War expenditures

The fiscal year 1947 will see a continuance of war liquidation and occupation. During this period we shall also lay the foundation for our peacetime system of national defense.

In the fiscal year that ended on June 30, 1945, almost wholly a period of global warfare, war expenditures amounted to 90.5 billion dollars. For the fiscal year 1946 war expenditures were originally estimated at 70 billion dollars. That estimate was made a year ago while we were still engaged in global warfare. After victory over Japan this estimate was revised to 50.5 billion dollars. Further cut-backs and accelerated demobilization have made possible an additional reduction in the rate of war spending. During the first 6 months 32.9 billion dollars were spent. It is now estimated that 16.1 billion dollars will be spent during the second 6 months, or a total of 49 billion dollars during the whole fiscal year.

For the fiscal year 1947 it is estimated, tentatively, that expenditures for war liquidation, for occupation, and for national defense will be reduced to 15 billion dollars. The War and Navy Departments are expected to spend 13 billion dollars; expenditures of other agencies, such as the United States Maritime Commission, the War Shipping Administration, and the Office of Price Administration, and payments to the United Nations Relief and Rehabilitation Administration are estimated at 3 billion dollars. Allowing for estimated net receipts of 1 billion dollars arising from war activities of the Reconstruction Finance Corporation, the estimated total of war expenditures is 15 billion dollars. At this time only a tentative break-down of the total estimate for war and defense activities can be indicated.

An expenditure of 15 billion dollars for war liquidation, occupation, and national defense is a large sum for a year which begins 10 months after fighting has ended. It is 10 times our expenditures for defense before the war; it amounts to about 10% of our expected national income. This estimate reflects the immense job that is involved in winding up a global war effort and stresses the great responsibility that victory has placed upon this country. The large expenditures needed for our national defense emphasize the great scope for effective organization in furthering economy and efficiency. To this end I have recently recommended to the Congress adoption of legislation combining the War and Navy Departments into a single Department of National Defense.

A large part of these expenditures is still to be attributed to the costs of the war. Assuming, somewhat arbitrarily, that about one-half of the 15-billion dollar outlay for the fiscal year 1947 is for war liquidation, aggregate expenditures by this Government for the Second World War are now estimated at 347 billion dollars through June 30, 1947. (See table A, part III, page 751.) Of this, about 9 billion dollars will have been recovered through renegotiation and sale of surplus property by June 30, 1947; this has been reflected in the estimates of receipts.

Demobilization and strength of armed forces.—Demobilization of our armed forces is proceeding rapidly. At the time of victory in Europe, about 12.3 million men and women were in the armed forces; 7.3 million were overseas. By the end of December, 1945, our armed forces had been reduced to below 7 million. By June 30, 1946, they will number about 2.9 million, of whom 1.8 million will be individuals enlisted and inducted after VE-Day. Mustering-out pay is a large item of our war liquidation expense; it will total 2.5 billion dollars in the fiscal year 1946, and about 500 million dollars in the fiscal year 1947.

In the fiscal year 1947 the strength of our armed forces will still be above the ultimate peacetime level. As I have said, War and Navy Department requirements indicate a strength of about 2 million in the armed forces a year from now. This is necessary to enable us to do our share in the occupation of enemy territories and in the preservation of peace in a troubled world. Expenditures for pay, subsistence, travel, and miscellaneous expenses of the armed forces, excluding mustering-out pay, are estimated at 5 billion dollars.

Contract settlement and surplus property disposal.—The winding up of war procurement is the second most important liquidation job. By the end of November a total of 301,000 prime contracts involving commitments of 64 billion dollars had been terminated. Of this total, 67,000 contracts with commitments of 35 billion dollars remained to be settled. Termination payments on these contracts are estimated at about 3.5 billion dollars. It is expected that more than half of these terminated contracts will be settled during the current fiscal year, leaving payments of about 1.5 billion dollars for the fiscal year 1947.

Another important aspect of war supply liquidation is the disposal of surplus property. Munitions, ships, plants, installations, and supplies, originally costing 50 billion dollars or more, will ultimately be declared surplus. The sale value of this property will be far less than original cost and disposal expenses are estimated at 10 to 15 cents on each dollar realized. Disposal units within existing agencies have been organized to liquidate surplus property under the direction of the Surplus Property Administration. Overseas disposal activities have been centralized in the State Department to permit this program to be carried on in line with overall foreign policy. Thus far only about 13 billion dollars of the ultimate surplus, including 5 billion dollars of unsalable aircraft, has been declared. Of this amount, 2.3 billion dollars have been disposed of, in sales yielding 600 million dollars. The tremendous job of handling surplus stocks will continue to affect Federal expenditures and receipts for several years. The speed and effectiveness of surplus disposal operations will be of great importance for the domestic economy as well as for foreign economic policies.

War supplies, maintenance, and relief.—Adequate provision for the national defense requires that we keep abreast of scientific and technical advances. The tentative estimates for the fiscal year 1947 make allowance for military research, limited procurement of weapons in the developmental state, and some regular procurement of munitions which were developed but not mass-produced when the war ended. Expenditures for procurement and construction will constitute one-third or less of total defense outlays, compared to a ratio of two-thirds during the war years.

The estimates also provide for the maintenance of our war-expanded naval and merchant fleets, military installations, and stocks of military equipment and supplies. Our naval combatant fleet is three times its pre-Pearl Harbor tonnage. Our Merchant Marine is five times its prewar size. The War Department has billions of dollars worth of equipment and supplies. Considerable maintenance and repair expense is necessary for the equipment which we desire to retain in active status or in war reserve. Expenses will be incurred for winnowing the stocks of surpluses, for preparing lay-up facilities for the reserve fleets, and for storage of reserve equipment and supplies.

Military expenditures in the current fiscal year include 650 million dollars for civilian supplies for the prevention of starvation and disease in occupied areas. Expenditures on this account will continue in the fiscal year 1947. The war expenditures also cover the expenses of civilian administration in occupied areas.

During the war, 15 cents of each dollar of our war expenditures was for lend-lease aid. With lend-lease terminated, I expect the direct operations under this program to be substantially completed in the current fiscal year. The expenditures estimated for the fiscal year 1947 under this program are mainly interagency reimbursements for past transactions.

Relief and rehabilitation expenditures are increasing. It is imperative that we give all necessary aid within our means to the people who have borne the ravages of war. I estimate that in the fiscal year 1946 expenditures for the United Nations Relief and Rehabilitation Administration will total 1.3 billion dollars and in the following year 1.2 billion dollars. Insofar as possible, procurement for this purpose will be from war surpluses.

(b) Authorizations for war and national defense

During the war, authorizations and appropriations had to be enacted well in advance of obligation and spending to afford ample time for planning of production by the procurement services and by industry. Thus our cumulative war program authorized in the period between July 1, 1940 and July 1, 1945, was 431 billion dollars, including net war commitments of Government corporations. Expenditures against those authorizations totaled 290 billion dollars. This left 141 billion dollars in unobligated authorizations and unliquidated obligations. (See table A, part III, page 751.)

With the end of fighting, it became necessary to adjust war authorizations to the requirements of war liquidation and continuing national defense. Intensive review of the war authorizations by both the executive and the legislative branches has been continued since VJ-day. As a result, the authorized war program is being brought more nearly into line with expenditures.

Rescissions and authorizations through the fiscal year 1946.—Readjusting the war program, as the Congress well knows, is not an easy task. Authorizations must not be too tight, lest we hamper necessary operations; they must not be too ample, lest we lose control of spending. Last September, I transmitted to the Congress recommendations on the basis of which the Congress voted H. R. 4407 to repeal 50.3 billion dollars of appropriations and authorizations. I found it necessary to veto this bill because it was used as a vehicle for legislation that would impair the reemployment program. However, in order to preserve the fine work of the Congress on the rescissions, I asked the Director of the Bureau of the Budget to place the exact amounts indicated for repeal in a nonexpendable reserve, and to advise the departments and agencies accordingly. This has been done.

In accord with Public Law 132 of the Seventy-ninth Congress, I have transmitted recommendations for additional rescissions for the current fiscal year of appropriations amounting to 5.8 billion dollars and of contract authorizations totaling 420 million dollars. The net reduction in authority to obligate will be 5.0 billion dollars, because, of the appropriations, 1.2 billion dollars will have to be restored in subsequent years to liquidate contract authorizations still on the books.

The appropriations recommended for repeal include 2,827 million dollars for the Navy Department, 1,421 million dollars for the War Department, 850 million dollars for lend-lease, 384 million dollars for the War Shipping Administration, and 260 million dollars for the United States Maritime Commission. The contract authorizations proposed for repeal are for the Maritime Commission.

In addition, there are unused tonnage authorizations for construction of naval vessels now valued at 5.4 billion dollars. In September 1945, I suggested that this authority be reviewed by the appropriate committees of the Congress, and the Congress has moved to bar construction under these authorizations during the remainder of the fiscal year 1946. I propose to continue this prohibition in the Navy budget estimates for the fiscal year 1947 and now renew my recommendation that legislation be enacted at the earliest time to clear the statute books of these authorizations.

The amounts indicated for repeal in H. R. 4407 and the further rescissions which I have recommended, excluding duplications and deferred cash payments on existing authorizations, represent a cut in the authorized war program of 60.8 billion dollars. The war authorizations will also be reduced 3.7 billion dollars by carrying receipts of revolving accounts to surplus, by lapses, and by cancellation and repayment of commitments of the Government war corporations.

On the other hand, supplemental appropriations of 600 million dollars will be required for the United Nations Relief and Rehabilitation Administration.

In the net, it is estimated that the cumulative authorized war and national defense program will amount to 368 billion dollars on June 30, 1946. Expenditures of 49 billion dollars during the fiscal year 1946 will have pushed cumulative expenditures to 339 billion dollars. The unexpended balances will be down to 28 billion dollars on June 30, 1946.

New authorizations for national defense and war liquidation in the fiscal year 1947.—The expenditures of 15 billion dollars for national defense and war liquidation in the fiscal year 1947 will be partly for payment of contractual obligations incurred in the past, and partly for the payment of new obligations. The unexpended balances on June 30, 1946, will be scattered among hundreds of separate appropriations. Thus, while some appropriation accounts will have unused balances, others will require additional appropriations.

It is estimated that authorizations to incur new obligations of 11,772 million dollars will be needed during the fiscal year 1947, mainly for the War and Navy Departments. Of the required authorizations, 11,365 million dollars will be in new appropriations, 400 million dollars in new contract authority, and 7 million dollars in reappropriations of unobligated balances. In addition, appropriations of 825 million dollars will be needed to liquidate obligations under existing contract authorizations.

Taking into account the tentative authorizations and expendi-

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Text of Truman's Message on State of Union and 1947 Fiscal Year Budget

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tures estimated for the fiscal year 1947, and offsets of 3 billion dollars in war commitments of Government corporations, the cumulative authorized war and national defense program on June 30, 1947, will be 376 billion dollars; total expenditures, 354 billion dollars; and unexpended balances, 22 billion dollars.

The 22 billion dollars of unexpended balances tentatively indicated as of June 30, 1947, comprise both unobligated authorizations and unliquidated obligations. Most of the unliquidated obligations result from transactions booked during the war years. A large part of the 22 billion dollars would never be spent even if not repealed, for the appropriations will lapse in due course. For example, several billion dollars of these unliquidated obligations represent unsettled inter- and intra-departmental agency accounts for war procurement. Legislation is being requested to facilitate the adjustment of some of these inter-agency accounts. Another 6 billion dollars is set aside for contract termination payments. If contract settlement costs continue in line with recent experience, it is likely that part of the 6 billion dollars will remain unspent.

On the other hand, some of the 22 billion dollars would be available for obligation and expenditure unless impounded. In certain appropriations, such as those for long-cycle procurement, considerable carry-over of unliquidated obligations into future years is to be expected and is necessary. However, substantial further rescissions can and should be made when the war liquidation program tapers off and budgetary requirements for national defense are clarified. As I have said, I shall continue to review the war authorizations and from time to time recommend excess balances for repeal.

As in recent years, detailed recommendations concerning most appropriations for the national defense program are postponed until the spring. In connection with the war activities of the United States Maritime Commission and certain other agencies, however, I now make specific recommendations for the fiscal year 1947. No additional authorizations or appropriations will be necessary for the Maritime Commission since sufficient balances will be left after the above-mentioned rescissions to carry out the program now contemplated for the fiscal year 1947.

2. Aftermath of War

Nearly one-third — 11 billion dollars—of estimated Federal expenditures in the fiscal year 1947 will be for purposes that are largely inherited from the war—payments to veterans, interest on the Federal debt, and refunds of taxes.

(a) For veterans

"Veterans' pensions and benefits" has become one of the largest single categories in the Federal Budget. I am recommending for this purpose total appropriations of 4,787 million dollars for the fiscal year 1947. Expenditures in the fiscal year are estimated, under present legislation, at 4,208 million dollars. These expenditures will help our veterans through their readjustment period and provide lasting care for those who were disabled.

The Congress has provided unemployment allowances for veterans during their readjustment period. Expenditure of 850 million dollars for this purpose is anticipated for the fiscal year 1947. In addition, readjustment allowances for self-employed veterans are expected to cost 340 million dollars in the fiscal year 1947.

On May 28, 1945, in asking the Congress to raise the ceiling on benefits for civilian unemployed to not less than 25 dollars a week during the immediate reconversion period, I suggested that the Congress also consider liberalizing veterans' allowances. Elsewhere in this Message I reiterate my recommendation with respect to emergency unemployment compensation. I also recommend increasing veterans' unemployment allowances from 20 dollars to 25 dollars a week. This would involve additional expenditures estimated at approximately 220 million dollars for the fiscal year.

Included in the 1947 Budget is an expenditure of 535 million dollars for veterans' education under provisions of the Servicemen's Readjustment Act. This amount includes both tuition expenses and maintenance allowances. It is expected that half a million veterans will be enrolled in our schools and colleges during the year.

The ultimate benefit which veterans receive from the loan guarantee provisions of the Servicemen's Readjustment Act depends largely on the success of our stabilization program in restraining building costs and real estate values. Under the revised procedure contained in recent amendments, the administrative workload will be minimized by the almost complete transfer of authority for approving the guarantees to private lending agencies and private appraisers designated by the Veterans Administration. This authority carries with it the responsibility for restricting the guarantees to loans on reasonably valued properties. Costs of the program, other than for administration, are estimated at 21 million dollars in the fiscal year 1947.

Pensions for veterans will require expenditures estimated at 1,748 million dollars for the fiscal year 1947. Two-thirds of this amount will be received by veterans of the war which we have just won. This figure includes 55 million dollars of increased pensions for student-veterans in our vocational rehabilitation program. In addition, 170 million dollars will be expended in transfers to the National Service Life Insurance Fund from general and special accounts.

Expenditures under the appropriation for salaries and expenses of the Veterans Administration are estimated at 528 million dollars in the fiscal year 1947. This includes 260 million dollars for medical care and the operation of some 103,000 hospital and domiciliary beds.

A separate appropriation for hospital and domiciliary facilities, additional to the total for veterans' pensions and benefits, covers construction that will provide some 13,000 hospital beds as part of the 500-million-dollar hospital construction program already authorized by the Congress. The estimated expenditures of 130 million dollars for this purpose are classified in the Budget as part of the general public works program for the next fiscal year.

(b) For interest

Interest payments on the public debt are estimated at 5 billion dollars in the fiscal year 1947, an increase of 250 million dollars from the revised estimate for the current fiscal year. This increase reflects chiefly payment of interest on additions to the debt this year. Assuming continuance of present interest rates, the Government's interest bill is now reaching the probable postwar level.

(c) For refunds

An estimated total of 1,585 million dollars of refunds will be paid to individuals and corporations during the fiscal year 1947. Slightly over half of this amount, or 800 million dollars, will be accessory to the simplified pay-as-you-go method of tax collection, and will be the result of over-withholding and overdeclaration of expected income. Most of the remainder will arise from loss and excess-profits credit carry-backs, recomputed amortization on war plants, and special relief from the excess-profits tax.

This category of expenditures is thus losing gradually its "aftermath-of-war" character, and by the succeeding year will reflect almost entirely the normal operation of loss carry-backs and current tax collection.

3. Agricultural Programs

The agricultural programs contemplated for the fiscal year 1947 are those which are essential for the provision of an adequate supply of food and other agricultural commodities with a fair return to American farmers. To support these objectives, expenditures by the Department of Agriculture estimated at 784 million dollars from general and special accounts will be required in the fiscal year 1947. This compares with estimated expenditures of 676 million dollars in 1946. These figures exclude expenditures by the Department of Agriculture on account of lend-lease, the United Nations Relief and Rehabilitation Administration, and other war expenditures. The expenditure for the fiscal year 1947 is composed of 553 million dollars for "aids to agriculture," 35 million dollars for general public works, and 196 million dollars for other services of the Department.

Net outlays for the price stabilization, price support, and other programs of the Commodity Credit Corporation are expected to increase from about 750 million dollars in the fiscal year 1946 to about 1,500 million dollars in 1947. Cash advances made on loans by the Farm Security Administration and the Rural Electrification Administration are expected to amount to 260 million dollars in the fiscal year 1946 and 351 million dollars in 1947; and after receipts from principal and interest are taken into account, net loan expenditures of these two agencies will amount to 120 and 209 million dollars in the two fiscal years.

To provide for the expenditures from general and special accounts, I recommend for the fiscal year 1947 appropriations of 721 million dollars (including the existing permanent appropriation of an amount equal to 30% of estimated annual customs receipts) and a reappropriation of 88 million dollars of prior-year balances from customs receipts. In addition there is a recommended authorization of 367.5 million dollars for borrowing from the Reconstruction Finance Corporation for the loan programs of the Farm Security Administration and the Rural Electrification Administration. It is expected that the operations of the Commodity Credit Corporation will be financed during the coming year through the 500 million dollars of lend-lease funds which the Congress has earmarked for price support purposes, a supplemental appropriation to restore impaired capital of the Corporation, and the borrowing authority of the Corporation.

Some detailed recommendations follow for major agricultural programs.

Conservation and use of land.—I am recommending that 270 million dollars be appropriated for "conservation and use of agricultural land resources" — the so-called AAA program—for the fiscal year 1947, compared with 356 million dollars in the current year. This reduction of 86 million dollars is in large part accounted for by elimination of the wartime flax production incentive project and other nonrecurring items; the proposed reduction in normal activities is less than 33 million dollars.

For the past several years, this program has consisted largely of payments to farmers for application of fertilizer and other approved soil management practices. I am convinced that farmers generally are now fully alert to the benefits, both immediate and long-term, which they derive from the practices encouraged by this program. I believe, therefore, that this subsidization should continue to be reduced.

Rural electrification.—It is proposed that the loan authorization for the Rural Electrification Administration for the fiscal year 1947 be increased from 200 million dollars to 250 million dollars. During the war period, REA was limited by the scarcity of materials and manpower. But that situation is rapidly changing, and the REA program, which was materially stepped up for the fiscal year 1946, can be increased still more. It is my belief that a feasible and practical rural electrification program should be carried forward as rapidly as possible. This will involve total loans of approximately 1,800 million dollars over the next 10 years, much of which will be repaid during that period.

Other programs.—It is recommended that the continuing forest land-acquisition program be resumed at the rate of 3 million dollars annually, which is about the minimum rate at which this program can be economically carried on. The lands involved in this program can contribute fully to the national welfare only when brought into the national forest system for protection and development.

Such programs as those of the Farm Security Administration and the Farm Credit Administration are estimated to be continued during the fiscal year 1947 at about the same level as in the fiscal year 1946. Recent action by the Congress has permitted some expansion of the school-lunch program. I hope it will be continued and expanded. The budgets of the Federal Crop Insurance Corporation and the Federal Farm Mortgage Corporation will be transmitted in the spring under the terms of the Government Corporation Control Act.

4. Transportation

Transportation is one of the major fields for both public and private investment. Our facilities for transportation and communication must be constantly improved to serve better the convenience of the public and to facilitate the sound growth and development of the whole economy.

Federal capital outlays for transportation facilities are expected to approximate 519 million dollars in the fiscal year 1947. State and local governments may spend 400 million dollars. Private investment, over half it by railways, may approach 1,150 million dollars.

The Congress has already taken steps for the resumption of work on improvement of rivers and harbors and on the construction of new Federal-aid highways. Much needed work on airports can begin when the Congress enacts legislation now in conference between the two Houses.

The Federal expenditure estimates for the fiscal year 1947 include 53 million dollars for new construction in rivers, harbors, and the Panama Canal and 291 million dollars for highways and grade-crossing elimination, assuming that the States expend some 275 million dollars on the Federal-aid system. Additional expenditures for highways totaling 36 million dollars are anticipated by the Forest Service, National Park Service, and the Territory of Alaska. Civil airways and airports will involve expenditures of 35 million dollars under existing authority. Additional Federal expenditures exceeding 20 million dollars (to be matched by States and municipalities) may be made during the fiscal year 1947 under the airport legislation now in conference between the two Houses of the Congress.

The United States now controls almost two-thirds of the world's merchant shipping, most of it Government - owned, compared with little more than one-seventh of the world's tonnage in 1939. This places a heavy responsibility upon the Nation to provide for speedy and efficient world commerce as a contribution to general economic recovery.

The estimates for the United States Maritime Commission and War Shipping Administration provide for the transition of shipping operation from a war to a peace basis; the sale, chartering, or lay-up of much of the war-built fleet; and for a program of ship construction of some 84 million dollars in the fiscal year 1947 to round out the merchant fleet for peacetime use.

Federal aids, subsidies, and regulatory controls for transportation should follow the general principle of benefiting the national economy as a whole. They should seek to improve the transportation system and increase its efficiency with resulting lower rates and superior service. Differential treatment which benefits one type of transportation to the detriment of another should be avoided save when it is demonstrated clearly to be in the public interest.

5. Resource Development

Total capital outlays for resource development are estimated at 653 million dollars in the fiscal year 1947 as compared with 452 million dollars in 1946. These include capital expenditures by the Rural Electrification Administration and expenditures for resource development by other organizational units in the Department of Agriculture which are also mentioned above under "agricultural programs."

The reclamation and flood control projects which I am recommending for the fiscal year 1947 will involve capital outlays of approximately 319 million dollars as compared with 245 million dollars in the fiscal year 1946. These expenditures cover programs of the Corps of Engineers, the Bureau of Reclamation, the Bureau of Indian Affairs, the Department of Agriculture, and the International Boundary and Water Commission, United States and Mexico. A number of these projects are multiple-purpose projects, providing not only for reclamation and irrigation of barren land and flood control, but also for the production of power needed for industrial development of the areas.

Expenditures for power transmission and distribution facilities by the Bonneville Power Administration are expected to increase from 12 million dollars in the fiscal year 1946 to 15 million dollars in the next fiscal year. In addition, the Southwestern Power Administration will undertake a new program involving expendi-

tures of about 16 million dollars in the fiscal year 1947. The Rural Electrification Administration will require expenditures during the current fiscal year estimated at 156 million dollars; in the fiscal year 1947, at 241 million dollars.

The TVA program includes completion of major multiple-purpose projects — navigation, flood control, and power facilities —and additions to chemical plants and related facilities. Expenditures for these capital improvement programs are estimated at 30 million dollars in the fiscal year 1946 and 39 million dollars in the fiscal year 1947.

Expenditures for construction of roads and other developmental works in the national forests, parks, and other public lands, and for capital outlays for fish and wildlife development will increase from below 9 million dollars in the fiscal year 1946 to 24 million dollars in the fiscal year 1947.

6. Social Security and Health

Benefit payments out of the Old-Age and Survivors Insurance Trust Fund during 1947 are estimated at 407 million dollars, while withdrawals by the States from the Unemployment Trust Fund for compensation payments are expected to total 1 billion dollars. These disbursements are financed out of social security contributions.

The appropriations from general and special accounts for the social security program, which cover Federal administrative expenses and grants to States for assistance programs, are estimated at 593 million dollars for the fiscal year 1947, an increase of 57 million dollars over the current year. The increase anticipates greater administrative workload and higher grants to match increasing State payments. The social security program does not include all the Federal health services under existing legislation. For the other health services classified under general government and national defense, appropriations are estimated at 102 million dollars for the fiscal year 1947.

Some expansion in peacetime medical research and other programs of the Public Health Service is provided for in the appropriation estimates for these purposes totaling approximately 37 million dollars for the fiscal year 1947 which are submitted under provisions of existing law. Part of this will be provided through the social security appropriations, the remainder through other appropriations. About 28 million dollars is recommended for maternity care and health services for children under existing law, mainly under the emergency provision for the wives and infants of servicemen. While we should avoid duplication of maternity and child health services which will be provided through the proposed general system of prepaid medical care, legislation is needed to supplement such services. For medical eduction, I have recommended legislation authorizing grants-in-aid to public and nonprofit institutions. The existing sources of support for medical schools require supplementation to sustain the expansion that is needed.

Hospitals, sanitation works, and additional facilities at medical schools will be required for an adequate national health program. Legislation is now pending in the Congress to authorize grants for the construction of hospitals and health centers and grants and loans for water-pollution control. I hope the Congress will act favorably on generous authorizing legislation.

7. Research and Education

The Budget provides for continuation and desirable expansion of the research activities that are carried on throughout the Federal establishment and through previously authorized grants to the States. Additional appropriations will be required for the proposed central Federal research agency which I recommended last September 6. That agency will coordinate existing research activities and administer funds for new research activities wherever they are needed; it will not itself conduct research. The plan contemplates expenditures through the new research agency of approximately 40 million dollars for the first year.

These amounts are small in relation to the important contribution they can make to the national income, the welfare of our people, and the common defense. Expenditures must be limited for the time being by the capacity of research agencies to make wise use of funds. The maintenance of our position as a nation, however, will require more emphasis on research expenditures in the future than in the past.

Educational expenditures will require a significant share of the national income in the fiscal year 1947. State, local, and private expenditures for the current support of elementary, secondary, and higher education are expected to be substantially above 3 billion dollars in that year. These non-Federal expenditures will be supplemented by Federal expenditures estimated at 625 million dollars in the present Budget. Of this amount, the estimate for veterans' education, as previously mentioned, is 535 million dollars. Other amounts include 21 million dollars for the support of vocational education in public schools, 5 million dollars for the land-grant colleges, 50 million dollars for the present school-lunch and milk program, 1 million dollars for the Office of Education, and approximately 13 million dollars for various other items. In view of the major policy issues which are still under study by the Congress and the Administration, no specific amount has been determined for the Federal grants, previously recommended in this Message, which would assist the States generally in assuring more nearly equal opportunities for a good education.

Notwithstanding the urgent need for additional school and college buildings, careful planning will be required for the expenditures to be made under the proposed legislation to aid the States in providing educational facilities. A major share of the grants for the first year would be for surveys and plans.

8. International Financial Programs

I have already outlined the broad objectives of our foreign economic policy. In the present section I shall indicate the Federal outlays which the execution of these programs may require in the fiscal years 1946 and 1947.

(a) On the termination of lend-lease, the lend-lease countries were required to pay for goods in the lend-lease pipe line either in cash or by borrowing from the United States or by supplying goods and services to the United States. Credits for this purpose have already been extended to the Soviet Union, France, the Netherlands, and Belgium amounting to 675 million dollars. The settlement credit of 650 million dollars to the United Kingdom includes an amount preliminarily fixed at 118 million dollars which represents the excess of purchases by the United Kingdom from the pipe line over goods and services supplied by the United Kingdom to the United States since VJ-day and the balance of various claims by one government against the other.

Credits are also being negotiated with lend-lease countries to finance the disposition of lend-lease inventories and installations and property declared to be surplus. For instance, 532 million dollars of the settlement credit to the United Kingdom is for this purpose. These credits will involve no new expenditures by this Government, since they merely provide for deferred repayment by other governments for goods and services which have been financed from war appropriations.

(b) Expenditures from the appropriations to United Nations Relief and Rehabilitation Administration, which were discussed under war expenditures above, are estimated to be 1.3 billion dollars in the fiscal year 1946 and 1.2 billion dollars in the fiscal year 1947.

(c) To assist other countries in the restoration of their economies the Export-Import Bank has already negotiated loans in the fiscal year 1946 amounting in total to about 1,010 million dollars and an additional 195 million dollars will probably be committed shortly. The Bank is also granting loans to carry out its original purpose of directly expanding the foreign trade of the United States. In this connection the Bank has established a fund of 100 million dollars to finance the export of cotton from the United States. The Export-Import Bank has thus loaned or committed approximately 1,300 million dollars during the current fiscal year and it is expected that demands on its resources will increase in the last 6 months of the fiscal year 1946. Requests for loans are constantly being received by the Bank from countries desiring to secure goods and services in this country for the reconstruction or development of their economies. On July 31, 1945, the lending authority of the Export-Import Bank was increased to a total of 3,500 million dollars. I anticipate that during the period covered by this Budget the Bank will reach this limit. The bulk of the expenditures from the loans already granted will fall in the fiscal year 1946 while the bulk of the expenditures from loans yet to be negotiated will fall in the fiscal year 1947. In view of the urgent need for the Bank's credit, I may find it necessary to request a further increase in its lending authority at a later date.

(d) The proposed line of credit of 3,750 million dollars to the United Kingdom will be available up to the end of 1951 and will be used to assist the United Kingdom in financing the deficit in its balance of payments during the transition period. The rate at which the United Kingdom will draw on the credit will depend on the rapidity with which it can reconvert its economy and adapt its trade to the postwar world. The anticipated rate of expenditure is likely to be heaviest during the next 2 years.

(e) Since the Bretton Woods Agreements have now been approved by the required number of countries, both the International Monetary Fund and the International Bank for Reconstruction and Development will commence operations during 1946. The organization of these institutions will undoubtedly take some time, and it is unlikely that their operations will reach any appreciable scale before the beginning of the fiscal year 1947.

Of the 2,750 million dollars required for the Fund, 1,800 million dollars will be provided in cash or notes from the exchange stabilization fund established under the Gold Reserve Act of 1934. The remaining 950 million dollars will be paid initially in the form of non-interest-bearing notes issued by the Secretary of the Treasury. It is not anticipated that the Fund will require in cash any of the 950 million dollars during the fiscal years 1946 and 1947. Consequently, no cash withdrawals from the Treasury will be required in connection with the Fund in these years.

The subscription to the Bank amounts to 3,175 million dollars. Of this total, 2% must be paid immediately and the Bank is required to call a further 8% of the subscription during its first year of operations. The balance of the subscription is payable when required by the Bank either for direct lending or to make good its guarantees. It is likely that the United States will be required to pay little if any more than the initial 10% before the end of the fiscal year 1947.

I anticipate that net expenditures of the Export-Import Bank and expenditures arising from the British credit and the Bretton Woods Agreements will amount to 2,614 million dollars, including the non-cash item of 950 million dollars for the Fund, in the fiscal year 1946, and 2,754 million dollars in the fiscal year 1947.

9. General Government

The responsibilities of the Government, in both domestic and international affairs, have increased greatly in the past decade. Consequently, the Government is larger than it was before the war, and its general operating costs are higher. We cannot shrink the Government to prewar dimensions unless we slough off these new responsibilities — and we cannot do that without paying an excessive price in terms of our national welfare. We can, however, enhance its operating efficiency through improved organization. I expect to make such improvements under the authority of the Reorganization Act of 1945.

The appropriations which I am recommending for general government for the fiscal year 1947 are 1,604 million dollars under existing legislation. This is an increase of 458 million dollars over the total of enacted appropriations for the current fiscal year, but a substantial part of this increase is due to the fact that the appropriations for the fiscal year 1946 were made prior to the general increase of employees' salaries last July 1, for which allowance is made in the anticipated supplemental appropriations for 1946. The recommended total for 1947 for general government, like the estimates for national defense and other specific programs, does not allow for the further salary increases for Government employees which, I hope, will be authorized by pending legislation, but the tentative lump-sum estimates under proposed legislation contemplate that such salary increases will be effective almost at once.

Expenditures for general government in the fiscal year 1947 are expected to continue the slowly rising trend which began in 1943. This category includes a great variety of items—not merely the overhead costs of the Government. It includes all the expenditures of the Cabinet departments, other than for national defense, aids to agriculture, general public works, and the social security program. It includes also expenditures of the legislative branch, The Judiciary, and many of the independent agencies of the executive branch. Consequently, the estimated increase in 1947 in the total of general government expenditures reflects a variety of influences.

Now included in general gov-aeronautics promotion, the business merly classified under national defense. Some of these, such as certain functions of the former Foreign Economic Administration and the War Manpower Commission, are still needed during the period of reconversion; others are in the process of liquidation. A few wartime activities, for example, the international information and foreign intelligence services and some of the wartime programs for controlling disease and crime, have become part of our regular government establishment. Expenditures for these former wartime functions explain about 40% of the increase in expenditures for general government.

Other increases are for civil aeronautics promotion, the business and manufacturing censuses, and other expanded business services of the Department of Commerce which have been referred to above; the Forest and Soil Conservation Services and other activities of the Department of Agriculture; certain conservation activities of the Department of the Interior; and the collection of internal revenue in the Treasury Department.

The necessity for reestablishing postal services curtailed during the war and advances in the rates of pay for postal employees have increased substantially the estimated expenditures for postal service for both the current and the next fiscal year. It is not expected that this increase will cause expenditures to exceed postal revenues in either year, although an excess of expenditures may occur in the fiscal year 1947 if salaries are increased further.

Expenditures for our share of the administrative budgets of the United Nations and other permanent international bodies will increase sharply in the fiscal year 1947, yet will remain a small part of our total Budget. The budget for the United Nations has not yet been determined; an estimate for our contribution will be submitted later. Our contributions to the Food and Agriculture Organization, the International Labor Office, the Pan American Union, and other similar international agencies will aggregate about 3 million dollars for the fiscal year 1947. The administrative expenses of the International Monetary Fund and the International Bank will be met from their general funds.

We have won a great war—we the nations of plain people who hate war. In the test of that war we found a strength of unity that brought us through—a strength that crushed the power of those who sought by force to deny our faith in the dignity of man.

During this trial the voices of disunity among us were silent or were subdued to an occasional whine that warned us that they were still among us. Those voices are beginning to cry aloud again. We must learn constantly to turn deaf ears to them. They are voices which foster fear and suspicion and intolerance and hate. They seek to destroy our harmony, our understanding of each other, our American tradition of "live and let live." They have become busy again, trying to set race against race, creed against creed, farmer against city dweller, worker against employer, people against their own governments. They seek only to do us mischief. They must not prevail.

It should be impossible for any man to contemplate without a sense of personal humility the tremendous events of the 12 months since the last annual Message, the great tasks that confront us, the new and huge problems of the coming months and years. Yet these very things justify the deepest confidence in the future of this Nation of free men and women.

The plain people of this country found the courage and the strength, the self-discipline, and the mutual respect to fight and to win, with the help of our allies, under God. I doubt if the tasks of the future are more difficult. But if they are, then I say that our strength and our knowledge and our understanding will be equal to those tasks.

HARRY S. TRUMAN.

January 14, 1946.

Observations

(Continued from first page)

disgraceful incident in Stamford, Connecticut, where a general strike was called in protest against ordinary law enforcement.

The American Civil Liberties Union, even though a great labor sympathizer, has come out with a pronouncement against the union's assumption of authority to decide who may cross the boundaries of private property. If ironclad picketing is going to be permanently winked at, and if domestic servants become unionized, will the head of a household perhaps be barred from admittance to his own home?

Perhaps the legislative strategy of those who seek equal application of the Wagner Act provisions should be to work for a brand new law *additional* to the Wagner Act, and leaving it undisturbed. The rights of industry could be thus protected by affirmatively imposing responsibilities on labor. This would avoid the impression that labor's great Magna Charta, in the form of the Wagner Act, is being emasculated, and that the rights it epochally gave to labor are to be taken away.

* * *

Perhaps the meat-packing strike and the cancelled threat of a New York City transit walkout will prove to have been blessings in disguise. For they may impressively remind the general rank and file of labor that wage earners are also consumers, who suffer directly from price increases and the severe inconveniences resulting from work stoppages.

* * *

Chairman Eccles' statement which accompanied the Federal Reserve Board's new regulation imposing 100% margins, constitutes a statesmanlike and thoroughly logical exposition of the current inflation situation. But it contains two points to which exception may be taken.

One of these is his reference to our capital gains taxation, which he wishes to change, saying: "The most effective way that I know of to curb speculation in capital assets would be to increase substantially the rate of the capital gains tax, or the holding period, or a combination of both." To this columnist Mr. Eccles seems to confuse anti-speculative factors with his anti-inflationary aims. While lengthening the minimum period that a security must be held in order to be eligible for the 25% tax ceiling, would undoubtedly reduce the volume of speculative transactions, such reduction in activity would be directly correlated with market price inflation. Particularly in a bull market it would freeze stocks in the hands of present holders unwilling to contribute a raised tax-contribution to the speculation "kitty." Extending the minimum holding period admittedly would diminish *future* speculation initiated through fresh commitments, but this advantage would be more than counterbalanced by the great accentuation given to today's market inflation.

Similarly an increase in the *rate* of tax on presently accrued profits, in discouraging potential sellers who do not want to contribute a "raised ante," would only further inflate the price level. To what degree a raised tax rate would diminish future commitments is uncertain. Short-selling still goes on despite its subjection to taxation at the full income rates. In any event discouragement to long-term market speculation would in no way help the present troublesome situation.

The other point that may be questionable is contained in Mr. Eccles' statement that "To whatever extent the board's action will tend to dampen speculative activity, it is desirable, as a preventive step, at this time of strong inflationary pressures and until such times as inflationary dangers are passed." It is not clear against what this "preventive step" is to be taken; particularly as the balance of Mr. Eccles' statement seems to support the thesis that the stock market is not creating inflation, but essentially acting as a thermometer registering the degree of inflation originated elsewhere in monetary policies and other sectors of our economy.

* * *

The supply of money, and estimates of the future volume thereof, are now deemed extremely important in much of our economic and political thinking and planning. For example the stock market bulls represent changes in the money supply as a main prop under current prices. But it must be realized that policy-making, planning, or speculation, which is based on either the quantity of money outstanding, or the velocity of the use thereof, necessitates skating on extremely thin ice. For so many of the contributory factors are completely imponderable, that prognostication is absolutely unwarranted. One such factor directly contributing to the supply of money and deposits, is our monetization of the Federal deficit. But who can possibly foretell the amounts of future deficits? Such doubt is rendered all the more valid by this week's Presidential budget message; and the testimony of Mr. Eccles and others that the Budget can be balanced, cannot be disregarded. There are also other uncertain elements composing our money supply, such as: the sales of government securities to the banks for deposits or cash; the volume of business activity; and national income. Nor, as recent experience discloses, is there close relationship between the national income and national product on the one hand and the supply of money on the other.

Furthermore our statistical record since 1920 shows that even if we could predict the supply of money, this would not warrant any inferences about the price level—either generally or for securities. Also contrary to popular assumptions about the effects of savings, business slumps (which reflect individuals' spending) actually have followed immediately upon periods of sharply rising national income —mainly because of the changing velocity of deposits.

* * *

Again reflecting stock market irrationality, the short interest has been falling instead of increasing during the past month of rising prices. Between mid-December and mid-January the Dow Jones industrial stock price average rose from 193 to 203, reflecting a further distortion of the price level that logically should have enhanced intelligent short-selling. Nevertheless during the period the outstanding short interest actually *declined*, from 1,465,798 to 1,270,098 shares.

Debit Balances on N. Y. Stock Exchange

The New York Stock Exchange announced on Dec. 17 that as of the close of business on Nov. 30, member firms of the Stock Exchange carrying margin accounts reported total of customers' net debit balances Nov. 30 of $1,095,239,941 compared with $1,062,809,062* on Oct. 31. These figures include all securities, commodity and other accounts. (Do not include debit balances in accounts held for other firms which are members of national securities exchanges, or "own" acounts of reporting firms or accounts of partners of those firms.)

Credit extended to customers on U. S. Government obligations was $181,192,519 at the end of November, compared with $158,242,766 at the end of October. (This amount is included in net debit balance total.)

Cash on hand and in banks on Nov. 30 is reported as $300,763,529 against $280,158,273 Oct. 31. (Exclusive of balances segregated under the Commodity Exchange Act.)

Total of customers' free credit balances on Nov. 30 stood at $639,017,933 compared with $632,397,068 Oct. 31. (Does not include credit balances in regulated commodity accounts, or free credit balances held for other firms which are members of national securities exchanges, or free credit balances held for the accounts of reporting firms or of partners of those firms.)

*Revised.

Business Failures in Dec.

Business failures in December were lower in number but higher in amount of liabilities involved than in November and in December a year ago. Business insolvencies in December, according to Dunn & Bradstreet, Inc., totaled 42 and involved $1,824,000 liabilities as compared with 60 in November involving $1,268,000 liabilities and 93 involving $1,804,000 in December a year ago.

The manufacturing group was the only one having more failures in December than in November. When the amount of liabilities is considered the manufacturing and commercial service groups had more liabilities involved in December than in November, the remaining groups having less liabilities.

Manufacturing failures in December were up to 23 from 21 in November and liabilities were up to $1,141,000 in December from $721,000 in November. Wholesale failures in December numbered 2 with liabilities of $79,000 as against 10 with liabilities of $127,000 in November. Retail failures in December numbered 10 with liabilities of $125,000 as compared with 14 with $135,000 liabilities in November. Construction insolvencies in December were down to 2 from 8 and liabilities were down to $107,000 in December from $225,000 in November. Commercial service failures in December were down to 5 from 7 in November but liabilities were up to $372,000 in December from $60,000 in November.

When the country is divided into Federal Reserve Districts it is found that the Richmond, St. Louis, Kansas City and Dallas Reserve Districts had more failures in December than in November, the Minneapolis Reserve District had the same number, while all the remaining districts had fewer insolvencies in December than in November. When the amount of liabilities involved is considered it is seen that only the Boston, Philadelphia, Minneapolis and San Francisco Reserve Districts had less liabilities involved in December than in November.

From Washington Ahead of the News

(Continued from first page)

come increasingly so. As an example of what may happen, there is the propaganda that the Government is planning to take over Steel and place Henry Kaiser in charge as dictator. As of this writing Mr. Truman is entertaining no such thoughts about Mr. Kaiser. But the latter is playing for just such a role and the Leftist agitation is working on it strong. So it is certainly not out of the realm of possibility that that will happen.

Against this possibility is the fact that neither Mr. Truman nor the much maligned John W. Snyder are sold on the reputed great prowess of the Pacific Coast shipbuilder as a private enterprise entrepreneur. Mr. Truman is highly miffed over Steel's rejection of his proposition, however, and while it is not generally known, he can be quite stubborn when he wants to. He has tried to follow a middle-of-the-road policy. Nobody would like better to get responsibility back to the people. If for no other reason than that he would like to enjoy his White House incumbency and not have to work too hard. But he has been complaining a lot to his friends that when such things as the Steel and Motor strikes occur, the pressure is too tremendous for a man in his position to ignore it.

Just where that pressure comes from is another matter. We are in no position to say whether the grass roots are disturbed. But the newspapers from their ivory towers are yelling bloody murder. This is, of course, just exactly what the Union leaders counted upon.

The Congress, as of today, is predominantly anti-labor; that is, it is fed up with strikers and strikes. Presumably it is reflecting the attitude of the country. Yet there is not enough of this feeling in Congress to pass any real so-called anti-labor legislation. The point we are trying to make is that the attitude of Congress is certainly against doing anything to aid the strikers. But that does not mean that Mr. Truman, acting impatiently and without any depth of thinking—this latter is certainly a charactertistic of his, may not do something drastic that would aid them, or what is more, preserve the face of the union leaders.

We are afraid that Messrs. Fairless, Sloan, Wilson, et al are reckoning without a realization of the Leftist propaganda in Washington. One has only to perceive the job they have done on Mr. Snyder. In Detroit we found perfectly good conservative papers referring to him as an incapable small town banker. He was vice president of the First National Bank of St. Louis, hardly a small town and hardly a small bank. The facts are, too, that an amazing job has been done on reconversion, far better than the economists' predictions of a few months ago. And reconversion is his job. We haven't been able to see his smallness at all. Yet it is apparent that the Leftists have succeeded in giving that picture to the country. Some of their representations we know to be lies, i.e., the stories by the Leftist columnists and radio commentators that Mr. Truman would give anything if he would resign. Snyder would like very much to get away in view of calumny to which he has been subjected, and the President won't listen to any suggestion that he quit.

You get an amazing picture of Washington when you understand that his trouble started with his getting rid of Robert Nathan, the young economist hero of the Leftists. Formerly with the War Production Board we were constantly reading that victory in the war depended upon his staying there instead of taking his turn at the draft. Nevertheless, his draft board finally beckoned and the War Production Board went right along, and victory came.

Chester Bowles, too, has been part of the poison spreading against Snyder. Bowles has an amazing philosophy that prices must be held down until production gets going full tilt in order that the savings of our people will not be absorbed in high prices. The thing to do, apparently, is to let the people squander their savings on strikes, and in the lack of production, on costume jewelry. They are squandering their savings. Of that there is no doubt.

American Tariff League Asks Truman for Time to Present Views on Trade Agreements

An appeal to President Truman to grant American manufacturers and domestic producers at least 60 to 90 days to present their views before the conclusion of any reciprocal trade agreement, was made public on Dec. 26 by the American Tariff League. The request was directed at a recent Presidential order providing for a minimum of 30 days notice to domestic interests before any trade agreement is concluded. The plea for more time was based on war-wrought complications revolving around international trade restrictions, changed economic conditions both here and abroad, and the general lack of adequate trade facts and information. With some trade agreements likely to involve hundreds of items and with the possibility of interrelated agreements, the League pointed out, domestic producers need this extra time to develop their presentations to the Committee for Reciprocity Information, the official agency designated by the President.

President Truman was also asked to make available much more background data pertinent to pending agreements and to give domestic producers access to more comprehensive trade data on the commodities in which they are interested. The League suggested, also, that all industry, trade, farm, and labor groups be specially notified of any proposed agreement.

The League's appeal and suggestions were contained in a letter sent by its President, H. Wickliffe Rose, to Mr. Truman. Government adoption of the League's suggestions, Mr. Rose wrote, "would assure more equitable hearing of more domestic producers. It would be in keeping with your demonstrated spirit of fairness—with your declared intention not to endanger or 'trade out' segments of American industry, American agriculture, or American labor."

Presidential action was asked because of the wide scope of items which new and revised trade agreements are expected to cover, the sharp cuts permissible under the Trade Agreements Act, and in the interest of maintaining a strong domestic economy.

Kenney to Succeed Hensel

President Truman, on Jan. 16, appointed W. John Kenney as Assistant Secretary of the Navy to succeed H. Struve Hensel, whose resignation he had accepted, effective Feb. 28, a special dispatch to the New York "Times" from Washington, stated. The President expressed much praise of the work done in the Navy Department by Mr. Hensel, who is returning to the practice of law.

The State of Trade

(Continued from page 438)

companies are out on a limb in view of a probable $4 a ton increase in their raw material. Faced with being forced to give the same wage increase as the large producing steel companies because of their contracts, they will have to go through a lengthy process of appealing to OPA for price relief.

Because of the steel strike, the percentage of steel capacity in operation this week is believed to have dropped to the lowest rate in the 300-year history of iron and steel in this country. The tonnage scheduled to be produced this week is the lowest in 53 years. It is far shorter than was made in any during the depression of the 1930's and well below minimum recorded output during the steel strike of 1919. It was necessary to go back 53 years to 1893, when the average weekly tonnage was 83,352 tons, to find output comparable with that scheduled for this week.

The American Iron and Steel Institute announced on Monday of this week the opening rate of steel companies having 94% of the steel capacity of the industry will be 4.9% of capacity for the week beginning Jan. 21, compared with 76.5% one week ago, 62.8% one month ago and 91.2% one year ago. This represents a decrease of 71.6 points or 93.6% from that of the previous week.

This week's operating rate is equivalent to 86.352 tons of steel ingots and castings, and compares with 1,401,200 tons one week ago, 1,150,300 tons one month ago and 1,670,300 tons one year ago.

Electric Production — The Edison Electric Institute reports that the output of electricity increased to approximately 4,170,000,000 kwh. (preliminary figure) in the week ended Jan. 12, 1946 from 3,865,362,000 kwh. (revised figure) in the preceding week. Output for the week ended Jan. 12, 1946, however, was 9.6% below that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports System output of 191,700,000 kwh. in the week ended Jan. 13, 1946, comparing with 198,400,000 kwh. for the corresponding week of 1945, or a decrease of 3.4%. Local distribution of electricity amounted to 187,700,000 kwh., compared with 187,700,000 kwh. for the corresponding week of last year, reflecting a no percentage change.

Railroad Freight Loadings — Carloadings of revenue freight for the week ended Jan. 12, 1946 total 772,558 cars, the Association of American Railroads announced. This was an increase of 120,101 cars (or 18.4%) above the preceding week which included the New Year holiday and 10,502 cars, or 1.3% below the corresponding week of 1945. Compared with the similar period of 1944, a decrease of 6,973 cars or 0.9% is shown.

Business Failures Higher—Commercial and industrial failures in the week ending Jan. 17 increased to twice the number in the previous week, according to Dun & Bradstreet, Inc. Twenty concerns failed as compared with only 10 last week and 16 in the corresponding week of 1945.

An increase occurred in both small and large failures, but large failures involving liabilities of $5,000 or more accounted for three-fourths of the total failures occurring during the week. These large failures at 15 were higher than the eight a week ago and also higher than the 11 in the same week of last year. Small failures with losses under $5,000 were up from two last week to five this week, the same number occurring last year.

Concerns failing this week were most numerous in manufacturing where nine failures were reported. This represented a gain of four from the previous week's level and a gain of two from the level of the corresponding week of 1945. In all lines of trade and industry, except wholesaling, failures were higher than a week ago. Compared with the same week of last year, retail trade was the only group in which failures fell short of the 1945 level.

Seven Canadian failures were reported as compared with two both in the previous week and in the corresponding week of last year.

Wholesale Commodity Price Index—The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 182.72 on Jan. 15, a new postwar peak. The latest figure compared wtih 175.57 at this time a year ago.

Strength in leading gains was maintained last week with futures markets generally trending higher. Cash wheat held firmly against ceilings under pressing demands from various sources. Offerings of most cash cereals, however, were inadequate to meet requirements.

Active Government and export demand continued to feature the flour market with domestic buying only fair. Offerings remained on a restricted basis owing to the dwindling cash wheat supply situation. Hog quotations were irregular with the movement to market curtailed by the threatened packing house strike. Production of lard and fats showed further improvement during the week.

Cotton moved irregularly over a fairly wide range last week as the trade awaited announcement of proposed ceilings to be placed on the 1946 cotton crop. Formal notice of the plan was issued by the OPA at the close of trading on Monday of the current week. Demand for spot cotton was fair during the week. Considerable replacement buying was noted, influenced by the strength in securities markets and by the continued favorable export prospects. The New York spot cotton price closed at 25.28 cents on Monday, up seven points over last week and comparing with 22.47 cents a year ago. Volume of cotton consumed during December was smaller than in November but the average use per working day recorded a slight gain, according to the New York Cotton Exchange Service. In the carded gray cotton cloth markets, buying for first quarter delivery was quite active last week, with volume covering most of the standard constructions.

The undertone in the Boston wool market was somewhat better during the past week as the result of increased inquiries for domestic wools; actual trading in these wools, however, remained quiet. The recent reduction in domestic wool prices has not as yet resulted in any appreciable gain in consumption of such wools, due largely to the well sold up condition of manufacturers and topmakers as regards finished products made from lower priced foreign wools. Sales totaling 21,824,000 pounds of domestic wools were reported by the CCC since the recent readjustment of prices. This left stocks still held by that body of 419,115,000 pounds. Demand for spot fine foreign wools continued active. Offerings of desirable Australian wools were scarce and resulted in better demand for higher priced South African wools. There was keen competition noted in primary markets of South America from European buyers.

Wholesale Food Price Index Unchanged — Counter-balancing changes in prices for individual commodities maintained the Dun & Bradstreet wholesale food price index for Jan. 15, at the previous level of $4.14. This was 1.0% higher than the $4.10 figure for the corresponding date a year ago. Price changes during the week showed advances in rye, oats, potatoes, butter and lambs. There were declines for eggs, currants and sheep.

The index represents the sum total of the price per pound of 31 foods in general use.

Wholesale and Retail Trade—Consumer interest was mildly stimulated by scattered clearance sales throughout the country with volume slightly over a week ago and a year ago, according to Dun & Bradstreet, Inc., in its weekly review of trade. Spot reports put department store volume in several cities below a year ago. Stocks of consumer durable goods have not increased substantially; some smaller items such as irons and toasters continue to trickle in.

Resort wear departments were active this week. Small quantities of women's wear in spring styles were sold. Clearance sales in furs met only lukewarm response and volume generally was about even with a year ago. The volume of men's and women's shoes continued to increase. Men's and boys' suits and topcoats continued in large demand.

Woolen and cotton piece goods remained at a premium. Stocks of linen were spotty though small quantities of imported linen were available. Consumers found little success in obtaining sheets and pillowcases.

Household appliances appeared on shelves in small quantities. Home furnishings were quickly purchased when available. Chinaware stocks increased slightly and stocks of floor coverings, such as linoleum and tile, rose slightly. The supply of mattresses and springs remained limited. General drug store merchandise sold well.

Retail food volume was slightly over a week ago and moderately above a year ago. Volume of boxed chocolates was favorable compared with a year ago. Fish and poultry were reported plentiful; beef, veal, and lamb were in limited supply. Vegetables such as lettuce, turnips, kale, beets, and broccoli were fairly abundant. Apples continued scarce. Most citrus fruits were obtainable.

Retail volume for the country was estimated to be from 3 to 7% above a year ago. Regional percentage increases were: New England 3 to 5, East 4 to 8, Middle West 2 to 6, Northwest 5 to 10, South 0 to 4, Southwest 3 to 7, Pacific Coast 7 to 10.

Persistent demand of buyers in the market helped to push wholesale volume upward during the week. Volume was slightly over both a week and a year ago. Shipments continued irregular with most deliveries scheduled several months ahead. The supply of most merchandise remained spotty.

Department stores sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Jan. 12, 1946, increased by 13% above the same period of last year. This compared with a decrease of 7% (revised figure) in the preceding week. In many cities stores were closed on Monday, Dec. 31 as well as on Tuesday, Jan. 1 and consequently the week included only four trading days as compared with five in the corresponding week last year. For the four weeks ended Jan. 12, 1946, sales increased by 12% and for the year to date showed an increase of 11%.

Percentage-wise retail trade in New York City the past week featured business activity. Department store gains ranged upward to 30%. The arrival of buyers in wholesale markets continued heavy with their chief concern being to speed up orders that were previously placed. There was a slight advance for the week in both wholesale and retail food volume with gains being somewhat limited by meat and butter shortages. In the piece goods field, converters and mills are marking time awaiting a revision of M-127, permitting a more equitable mark-up.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Jan. 12, 1946, increased 19% above the same period last year. This compared with a decrease of 4% in the preceding week. For the four weeks ended Jan. 12, 1946 sales rose by 15% and for the year to date increased by 14%.

Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES
(Based on Average Yields)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jan. 22	126.20	118.80	122.71	121.04	118.80	113.12	115.43	119.00	121.88
21	126.20	118.60	122.71	120.84	118.60	112.75	115.24	119.00	121.88
19	126.17	118.60	122.50	121.04	118.60	112.93	115.24	119.00	121.88
18	126.06	118.60	122.50	120.84	118.60	112.93	115.24	118.80	121.88
17	126.05	118.60	122.50	121.04	118.60	112.93	115.24	118.80	121.88
16	126.17	118.60	122.29	120.84	118.60	112.75	115.24	118.80	121.67
15	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.60	121.67
14	126.24	118.40	122.29	120.63	118.40	112.75	115.24	118.60	121.67
12	126.18	118.20	122.09	120.63	118.20	112.56	115.04	118.40	121.46
11	126.11	*118.20	122.09	120.63	118.20	112.56	115.04	118.40	121.46
10	126.00	118.20	121.88	120.22	118.20	112.56	114.85	118.40	121.25
9	125.80	118.20	121.88	120.22	118.20	112.56	114.85	118.40	121.25
8	125.55	118.00	121.67	120.22	117.80	112.56	114.85	118.20	121.04
7	125.30	118.00	121.67	120.22	117.60	112.56	114.85	118.20	120.84
5	125.22	117.80	121.46	120.02	117.60	112.37	114.66	118.00	120.84
4	125.18	117.80	121.67	119.82	117.60	112.37	114.66	117.80	120.84
3	125.03	117.60	121.67	119.82	117.40	112.19	114.46	117.80	120.84
2	124.97	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63
1	Stock Exchange Closed								
Dec. 28, 1945	124.67	117.40	121.25	119.82	117.40	112.00	114.27	117.60	120.63
21	124.28	117.20	121.04	119.41	117.20	111.44	114.08	117.20	120.22
14	124.17	117.00	120.84	119.41	117.20	111.25	113.89	117.20	100.22
7	124,06	116.80	120.63	119.41	117.00	110.88	113.50	117.00	120.22
Nov. 30	123.81	116.80	120.63	119.41	117.00	110.70	113.31	117.00	120.22
23	123.70	116.80	120.84	119.41	117.00	110.70	113.50	116.80	120.22
16	123.44	116.80	120.84	119.41	116.80	110.52	113.31	116.80	120.22
9	123.28	116.61	120.63	119.41	116.61	110.34	113.12	116.80	120.02
2	123.05	116.61	120.63	119.41	116.41	110.15	113.12	116.80	120.02
Oct. 26	122.92	116.22	120.63	119.20	116.22	109.60	112.93	116.41	119.82
Sept. 28	122.19	116.02	120.84	118.80	115.82	108.88	112.19	116.02	119.82
Aug. 31	122.09	116.02	120.84	119.00	116.22	108.52	112.56	116.02	119.41
July 27	122.39	115.82	120.84	119.20	115.82	108.16	112.93	115.63	119.00
June 29	122.93	116.02	121.04	119.20	116.02	108.16	112.93	115.43	119.41
May 25	122.29	115.43	120.63	118.80	115.43	107.44	112.19	114.85	119.20
Apr. 27	122.38	115.24	120.84	118.40	115.04	107.09	112.19	114.27	119.20
Mar. 31	122.01	114.85	121.04	118.40	114.85	106.04	111.25	114.27	119.20
Feb. 23	121.92	114.66	120.02	118.60	114.46	106.04	110.52	114.08	119.41
Jan. 26	120.88	113.89	119.41	118.00	113.70	105.17	109.24	113.89	118.60
High 1946	126.24	118.80	122.71	121.04	118.80	113.12	115.43	119.00	121.88
Low 1946	124.97	117.60	121.46	119.82	117.40	112.19	114.46	117.80	120.63
High 1945	124.84	117.60	121.25	119.82	117.40	112.00	114.46	117.60	120.63
Low 1945	120.55	113.50	118.80	117.80	113.31	104.48	108.52	113.70	118.20
1 Year Ago									
Jan. 22, 1945	121.14	113.70	119.20	117.80	113.31	105.00	108.88	113.70	118.60
2 Years Ago									
Jan. 22, 1944	119.58	111.07	118.40	116.20	111.07	100.16	104.31	113.31	116.41

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

1946— Daily Averages	U. S. Govt. Bonds	Avge. Corporate*	Corporate by Ratings* Aaa	Aa	A	Baa	Corporate by Groups* R. R.	P. U.	Indus.
Jan. 22	1.32	2.71	2.52	2.60	2.71	3.00	2.88	2.70	2.56
21	1.32	2.72	2.52	2.61	2.72	3.02	2.89	2.70	2.56
19	1.32	2.72	2.53	2.60	2.72	3.01	2.89	2.70	2.56
18	1.33	2.72	2.53	2.61	2.72	3.01	2.89	2.71	2.56
17	1.33	2.72	2.53	2.60	2.72	3.01	2.89	2.71	2.56
16	1.32	2.72	2.54	2.61	2.72	3.02	2.89	2.71	2.57
15	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.72	2.57
14	1.32	2.73	2.54	2.62	2.73	3.02	2.89	2.72	2.57
12	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.58
11	1.32	2.74	2.55	2.62	2.74	3.03	2.90	2.73	2.58
10	1.33	2.74	2.56	2.64	2.74	3.03	2.91	2.73	2.59
9	1.35	2.74	2.56	2.64	2.74	3.03	2.91	2.73	2.59
8	1.36	2.75	2.57	2.64	2.76	3.03	2.91	2.74	2.60
7	1.38	2.75	2.57	2.64	2.77	3.03	2.91	2.74	2.61
5	1.38	2.76	2.58	2.65	2.77	3.04	2.92	2.75	2.61
4	1.38	2.76	2.57	2.66	2.77	3.04	2.92	2.76	2.61
3	1.40	2.77	2.57	2.66	2.78	3.05	2.93	2.76	2.61
2	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62
1	Stock Exchange Closed								
Dec 28, 1945	1.42	2.78	2.59	2.66	2.78	3.06	2.94	2.77	2.62
21	1.45	2.79	2.60	2.68	2.79	3.09	2.95	2.79	2.64
14	1.46	2.80	2.61	2.68	2.79	3.10	2.96	2.79	2.64
7	1.47	2.81	2.62	2.68	2.80	3.12	2.98	2.80	2.64
Nov. 30	1.49	2.81	2.62	2.68	2.80	3.13	2.99	2.80	2.64
23	1.50	2.81	2.61	2.68	2.80	3.13	2.98	2.81	2.64
16	1.52	2.81	2.61	2.68	2.81	3.14	2.99	2.81	2.64
9	1.53	2.82	2.62	2.68	2.82	3.15	3.00	2.81	2.65
2	1.55	2.82	2.62	2.68	2.83	3.16	3.00	2.81	2.65
Oct. 26	1.56	2.84	2.62	2.69	2.84	3.19	3.01	2.83	2.66
19	1.55	2.84	2.62	2.69	2.84	3.20	3.02	2.83	2.66
11	1.57	2.84	2.61	2.70	2.84	3.20	3.03	2.84	2.65
5	1.59	2.84	2.61	2.70	2.84	3.21	3.04	2.84	2.65
Sept. 28	1.63	2.85	2.61	2.71	2.86	3.23	3.05	2.85	2.66
Aug. 31	1.65	2.85	2.61	2.70	2.84	3.25	3.03	2.85	2.68
July 27	1.64	2.86	2.61	2.69	2.86	3.27	3.01	2.87	2.70
June 29	1.60	2.85	2.60	2.69	2.85	3.27	3.01	2.88	2.68
May 25	1.64	2.88	2.62	2.71	2.88	3.31	3.05	2.91	2.69
Apr. 27	1.63	2.89	2.61	2.73	2.90	3.33	3.05	2.94	2.69
Mar. 31	1.66	2.91	2.60	2.73	2.91	3.39	3.10	2.94	2.69
Feb. 23	1.69	2.92	2.65	2.72	2.93	3.39	3.14	2.95	2.68
Jan. 26	1.77	2.96	2.68	2.75	2.97	3.44	3.21	2.96	2.72
High 1946	1.40	2.77	2.58	2.66	2.78	3.05	2.93	2.76	2.62
Low 1946	1.32	2.71	2.52	2.60	2.71	3.00	2.88	2.70	2.56
High 1945	1.80	2.98	2.71	2.76	2.99	3.48	3.25	2.97	2.74
Low 1945	1.41	2.77	2.59	2.66	2.78	3.06	2.93	2.77	2.62
1 Year Ago									
Jan. 22, 1945	1.75	2.97	2.69	2.76	2.99	3.45	3.23	2.97	2.72
2 Years Ago									
Jan. 22, 1944	1.86	3.11	2.73	2.84	3.11	3.74	3.49	2.99	2.83

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

NOTE— The list used in compiling the averages was given in the Nov. 22, 1945 issue of the "Chronicle" on page 2508.

Moody's Daily Commodity Index

Tuesday, Jan. 15, 1946	264.7
Wednesday, Jan. 16	264.7
Thursday, Jan. 17	264.8
Friday, Jan. 18	264.9
Saturday, Jan. 19	264.9
Monday, Jan. 21	265.3
Tuesday, Jan. 22	265.7
Two weeks ago, Jan. 7	264.7
Month ago, Dec. 22, 1945	264.6
Year ago, Jan. 22	253.3
1945 High, Dec. 27	265.0
Low, Jan. 24	252.1
1946 High, Jan. 21	265.3
Low, Jan. 2	264.7

Wholesale Prices Declined 0.1% in Week Ended Jan. 12, Labor Department Reports

"Lower prices for agricultural commodities more than offset higher prices for industrial products to cause a decline of 0.1% during the week ended Jan. 12, 1946, in the index of commodity prices in primary markets of the Bureau of Labor Statistics, U. S Department of Labor," the Bureau announced on Jan. 17, its advices stating that "at 106.7% of the 1926 average, the index was 0.3% below the postwar high reached two weeks earlier and 1.9% above the corresponding week of last year." The Bureau's report continued:

"Farm Products and Foods. Average prices for farm products dropped 1.0%. Average quotations for citrus fruits declined with a narrowing of the price range following reimposition of ceilings. White potatoes were generally lower with good supplies and increased movement to market of lower qualities. Quotations for apples moved up seasonally. Eggs dropped more than seasonally with a cut in the Army buying price. Hog prices dropped more than 1% with heavy movement of animals to market in anticipation of a strike in packing plants. Quotations for lambs were lower with dull trade. Calves and cows moved up seasonally. Among the grains, wheat prices dropped, while oats, still in heavy demand, continued to advance and rye moved up reflecting short supplies. Average prices for farm products were 1.0% below four weeks ago and 2.9% above mid-January, 1945.

"Lower prices for fruits and vegetables and for eggs were responsible for the decline of 0.4% in the group index for foods. In addition, quotations for rye flour dropped. Quotations for butter rose in Chicago as additional sellers moved toward higher ceilings permitted with the end of subsidies but still were generally below ceilings. Quotations for dressed poultry moved up in accordance with the usual seasonal change in ceilings.

"Other Commodities—Average prices for all commodities other than farm products and foods advanced 0.1% to a level 1.5% above a year ago. Quotations for cotton underwear increased following revision of OPA ceilings to allow cost-plus-fixed-margin pricing. Iron ore prices rose under ceiling increases granted by OPA late in December and made retroactive for the 1945 shipping season. Fractionally higher prices for cement were reported in Rocky Mountain states under increased ceilings. Quotations for authracite and bituminous coal continued to advance to higher ceilings allowed in December."

The Labor Department included the following notation in its report:

NOTE.—The Bureau of Labor Statistics' wholesale price data, for the most part, represent prices in primary markets. In general, the prices are those charged by manufacturers or producers or are those prevailing on commodity exchanges. The weekly index is calculated from one-day-a-week prices. It is designed as an indicator of week to week changes and should not be compared directly with the monthly index.

The following tables show (1) indexes for the past three weeks, for Dec. 15, 1945 and Jan. 13, 1945 and (2) percentage changes in subgroup indexes from Jan. 5, 1946 to Jan. 12, 1946.

WHOLESALE PRICES FOR WEEK ENDED JAN. 12, 1946
(1926 = 100)
(Indexes for the last eight weeks are preliminary)

Commodity Group—	1-12 1946	1-5 1946	12-29 1945	12-15 1945	1-13 1945	Percentage changes to Jan. 12, 1946 from— 1-5 1946	12-15 1945	1-13 1945
All commodities	106.7	106.8	107.0	106.7	104.7	—0.1	0	+1.9
Farm products	130.0	131.3	132.7	131.3	126.3	—1.0	—1.0	+2.9
Foods	107.6	108.0	109.5	108.3	104.7	—0.4	—0.6	+2.8
Hides and leather products	119.4	119.4	119.4	119.4	117.9	0	0	+1.3
Textile products	101.0	100.6	100.6	100.6	99.0	+0.4	+0.4	+2.0
Fuel and lighting materials	85.5	85.2	85.3	85.2	83.9	+0.4	+0.4	+1.9
Metals and metal products	105.4	105.3	105.3	105.3	104.0	+0.1	+0.1	+1.3
Building materials	119.2	119.1	118.9	118.8	116.4	+0.1	+0.3	+2.4
Chemicals and allied products	96.1	96.1	96.1	96.1	94.9	0	0	+1.3
Housefurnishing goods	106.4	106.4	106.4	106.4	106.1	0	0	+0.3
Miscellaneous commodities	95.0	95.0	95.0	95.0	94.0	0	0	+1.1
Raw materials	119.0	119.7	120.6	119.7	115.6	—0.6	—0.6	+2.9
Semi-manufactured articles	96.9	96.9	96.9	96.8	94.7	0	+0.1	+2.3
Manufactured products	102.8	102.6	102.6	102.6	101.4	+0.2	+0.2	+1.4
All commodities other than farm products	101.5	101.4	101.4	101.3	99.9	+0.1	+0.2	+1.6
All commodities other than farm products and foods	100.7	100.6	100.6	100.5	99.2	+0.1	+0.2	+1.5

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM
Jan. 5, 1946 to Jan. 12, 1946

Increases			
Hosiery and underwear	5.2	Iron and steel	0.2
Cement	0.8	Meats	0.2
Anthracite	0.7	Bituminous coal	0.1
Dairy products	0.4	Other building materials	0.1
Decreases			
Fruits and vegetables	1.4	Other foods	1.1
Other farm products	1.1	Livestock and poultry	1.0
Grains			0.6

Civil Engineering Construction Totals $45,381,000 for Week

Civil engineering construction volume in continental United States totals **$45,381,000** for the week ending Jan. 17, 1946, as reported to "Engineering News-Record." This volume is for the regular five-day week and when compared with the preceding seven-day week, it is 48% less, but 64% greater than the corresponding week of 1945 and 11% below the previous four-week moving average of $50,726,000. The report issued on Jan. 17 continued as follows:

Private construction while 52% less than the previous week is 324% greater than the week last year. Public construction for the current week is down 38% from last week and down 27% from the week of 1945. State and municipal construction, 33% below last week, is 155% greater than the corresponding week of 1945. Federal work dropped 50% below last week and 77% below the week last year.

On a three-week cumulative basis, the 1946 total is $176,647,000, or 122% greater than the $79,402,000 recorded last year for the same period. The cumulative total for private construction in 1946 is 305% greater than last year, and state and municipal construction, 204% greater than last year. Public construction is 13% greater than the corresponding total for last year, but federal work is down 62%.

Civil engineering construction volume for the current week, last week and the 1945 week are:

	Jan. 17, 1946	Jan. 10, 1946	Jan. 18, 1945
Total U. S. Construction	$45,381,000	$87,971,000	$27,702,000
Private Construction	30,394,000	63,638,000	7,175,000
Public Construction	14,987,000	24,333,000	20,527,000
State & Municipal	11,213,000	16,834,000	4,401,000
Federal	3,774,000	7,499,000	16,126,000

In the classified construction groups, only one of the nine classes recorded a gain over the preceding (seven-day) week and that was waterworks. Six of the nine classes gained over the week last year as follows: Waterworks, sewerage, earthwork and drainage, highways, industrial buildings and commercial buildings.

NEW CAPITAL

New capital for construction purposes this week totals, $10,363,000 and is made up of $5,492,000 in state and municipal bond sales and $4,871,000 in corporate security issues. The corresponding week of 1945 recorded $14,716,000, of new capital consisting of $13,541,000 in state and municipal bond sales and $1,175,000 in corporate security issues. The three-week cumulative figure for 1946 is 58% below the corresponding period of 1945.

Electric Output for Week Ended Jan. 19, 1946 9.6% Below That for Same Week a Year Ago

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Jan. 19, 1946, was approximately 4,150,000,000 kwh., which compares with 4,588,214,000 kwh. in the corresponding week a year ago, and 4,163,206,000 kwh. in the week ended Jan. 12, 1946. The output for the week ended Jan 19, 1946 was 9.6% below that of the same week in 1945.

PERCENTAGE DECREASE UNDER SAME WEEK LAST YEAR

Major Geographical Divisions—	Week Ended— Jan. 19	Jan. 12	Jan. 5	Dec. 29
New England	3.1	4.6	7.5	4.5
Middle Atlantic	4.6	4.9	6.7	4.8
Central Industrial	14.3	12.0	14.3	13.0
West Central	1.8	0.2	2.3	1.7
Southern States	10.5	10.9	14.7	15.3
Rocky Mountain	6.2	0.2	4.8	1.2
Pacific Coast	12.4	16.1	20.1	14.1
Total United States	9.6	‡9.8	12.7	11.0

*Preliminary. ‡Revised.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

Week Ended—	1945	1944	% Change under 1944	1943	1932	1929
Oct. 6	4,028,286	4,375,079	— 7.9	4,341,754	1,507,503	1,806,403
Oct. 13	3,934,394	4,354,575	— 9.6	4,382,268	1,528,145	1,798,633
Oct. 20	3,914,738	4,345,352	— 9.9	4,415,405	1,533,028	1,824,160
Oct. 27	3,937,420	4,358,293	— 9.7	4,452,592	1,525,410	1,815,749
Nov. 3	3,899,293	4,354,939	—10.5	4,413,863	1,520,730	1,798,164
Nov. 10	3,948,024	4,396,595	—10.2	4,482,665	1,531,584	1,793,584
Nov. 17	3,984,608	4,450,047	—10.5	4,513,299	1,475,268	1,818,169
Nov. 24	3,841,350	4,368,519	—12.1	4,403,342	1,510,337	1,718,002
Dec. 1	4,042,915	4,524,257	—10.6	4,560,158	1,518,922	1,806,225
Dec. 8	4,096,954	4,538,012	— 9.7	4,566,905	1,563,384	1,840,863
Dec. 15	4,154,061	4,563,079	— 9.0	4,612,994	1,554,473	1,860,021
Dec. 22	4,239,376	4,616,975	— 8.2	4,295,010	1,414,710	1,637,683
Dec. 29	3,756,942	4,225,814	—11.0	4,337,287	1,619,265	1,542,000

Week Ended—	1946	1945	% Change under 1945	1944	1932	1929
Jan. 5	*3,865,362	4,427,281	—12.7	4,567,959	1,602,482	1,733,810
Jan. 12	*4,163,206	4,614,334	— 9.8	4,539,083	1,598,201	1,736,721
Jan. 19	‡4,150,000	4,588,214	— 9.6	4,531,662	1,588,967	1,717,315
Jan 26		4,576,713		4,523,763	1,588,853	1,728,208
Feb. 2		4,538,552		4,524,134	1,578,817	1,726,161

*Revised. ‡Preliminary.

Non-Ferrous Metals—Lead Price Up Sharply In British Market—Quicksilver Lower in N. Y.

"E. & M. J. Metal and Mineral Markets," in its issue of Jan. 17, stated: "Outstanding in developments in non-ferrous metals last week was the sharp advance in the price of lead in the British market to the equivalent of 7c. a pound. To maintain a steady flow of foreign lead into the United States market, price adjustments here will be necessary, the industry believes. Renewal of copper contracts with South American producers is expected before the end of the month. The order limiting purchases of cadmium has not yet been issued, but is expected shortly. Quicksilver was unsettled, and sold at $105 per flask, spot, a reduction of $3. Antimony remains tight." The publication further went on to say in part as follows:

Copper

The industry continues to hope for early official announcement that purchases of copper by the Government in Latin America have been resumed. Copper requirements are being studied at present to arrive at a decision on the tonnage that is to be brought into the country in the first half of 1946. So far, no definite commitments for foreign copper have been made. The price that will be paid is expected to remain unchanged.

Deliveries of refined copper in the United States in December amounted to 103,464 tons, making the total for the year 1,517,842 tons, against 1,636,295 tons in 1944. Except for some delay in moving copper because of strikes the tonnage shipped in December would have been larger, the industry believes. The trade is moving slowly in regard to taking care of February requirements, as numerous problems have been injected into the situation by labor developments.

Production of copper in Northern Rhodesia has been temporarily curtailed because of a coal shortage.

Lead

Effective Jan. 15, the British Ministry of Supply advanced the price of lead in the British market £9 per long ton, establishing the quotation at £39, or the equivalent of approximately 7c. a pound. This step was taken to attract more lead to the British market. It recognizes that the world supply situation is tight and that little or no metal would be forthcoming from foreign sources except at a higher purchasing basis. To conserve supplies, the British consumer during the first quarter of 1946 will not obtain more than 80% of the quantity that he received in the last four months of 1945.

The advisory committee of the lead industry was scheduled to meet with officials in Washington on Jan. 22 to discuss the supply situation, which has become more involved because of the uplift in prices in England, the strike in Mexico, and a possible strike in Utah. Some members of the industry believe that the question of raising the price will be brought up at the conference. With England a buyer at above domestic parity, foreign lead is certain to move to the highest bidder.

Sales of lead in the domestic market for the week involved 5,294.

Zinc

The tight situation in Special High Grade zinc should be eased slightly as soon as production is resumed at the electrolytic refinery of the American Zinc, Lead & Smelting Co., at Monsanto, Ill. Officials of the company announced on Jan. 15 that workers there, who had been out on strike since early December, agreed to return to their jobs at unchanged wage rates. Workers originally demanded that wages be increased 25c. an hour.

Despite the continued unsettlement in the labor situation, demand for both Special High Grade and Prime Western grades of zinc remained fairly active last week.

Tin

Production of tin at the smelter in Texas amounted to 40,591 long tons in 1945, according to the Civilian Production Administration. This compares with 30,619 tons in 1944 and 20,727 tons in 1943. Output in December was 3,676 tons, or at the rate of 44,112 tons a year, the highest since the plant began operating in April, 1942. More than 90% of the smelter's 1945 production was Grade A quality tin.

Consumption of primary tin in the United States at present is believed to amount to slightly more than 5,000 tons a month.

The price situation remains unchanged. Straits quality tin for shipment, cents per pound, was nominally as follows:

	Jan.	Feb.	March
Jan. 10	52.000	52.000	52.000
Jan. 11	52.000	52.000	52.000
Jan. 12	52.000	52.000	52.000
Jan. 14	52.000	52.000	52.000
Jan. 15	52.000	52.000	52.000
Jan. 16	52.000	52.000	52.000

Chinese, or 99% tin, continued at 51.125c. per pound.

Quicksilver

A moderate volume of business has been placed in quicksilver during the last week, but at prices averaging around $3 per flask below the level of recent weeks. Quotations in New York settled at $105 to $108 per flask, spot and nearby metal. The market was anything but active and the undertone in so far as forward business was concerned was barely steady at the lower level.

Preliminary figures issued by the Dominion Bureau of Statistics indicate that Canada produced no quicksilver during 1945.

Silver

Advices from Washington were lukewarm on prospects for early action on reconsideration of the Green bill. As Congress reconvened, most of the Senators from the silver states had not yet arrived.

Silver refineries in the United States recovered 6,763,000 oz. of silver during November, of which 2,654,000 oz. was from domestic sources and 4,109,000 oz. foreign. Output in October totaled 7,002,000 oz., of which 2,780,000 oz. was domestic and 4,222,00 oz. foreign.

The New York Official price of foreign silver continued at 70¾c. London was unchanged at 44d.

Daily Average Crude Oil Production for Week Ended Jan. 12, 1946 Increased 30,300 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Jan. 12, 1946 was 4,578,400 barrels, a gain of 30,300 barrels per day over the preceding week and 78,400 barrels in excess of the daily average figure of 4,500,000 barrels recommended by the Bureau of Mines for the month of January, 1946. The current figure, however, was 144,250 barrels per day lower than output in the week ended Jan. 13, 1945. Daily production for the four weeks ended Jan. 12, 1946 averaged 4,520,000 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 4,498,000 barrels of crude oil daily and produced 14,246,000 barrels of gasoline; 2,101,000 barrels of kerosene; 5,325,000 barrels of distillate fuel, and 8,223,000 barrels of residual fuel oil during the week ended Jan. 12, 1946; and had in storage at the end of that week 99,574,000 barrels of finished and unfinished gasoline; 9,641,000 barrels of kerosene; 33,359,000 barrels of distillate fuel, and 40,499,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

	*B. of M. Calculated Requirements January	State Allowables Begin. Jan. 1	Actual Production Week Ended Jan. 12, 1946	Change from Previous Week	4 Weeks Ended Jan. 12, 1946	Week Ended Jan. 13, 1945
Oklahoma	382,000	390,000	†391,050	— 1,750	390,000	360,750
Kansas	260,000	249,400	†249,200	+ 43,250	238,400	272,650
Nebraska	800	----	†750	----	750	1,000
Panhandle Texas			81,000	----	81,000	88,700
North Texas			152,800	----	151,200	143,150
West Texas			489,300	— 100	477,600	478,600
East Central Texas			140,050	+ 250	137,600	144,050
East Texas			320,000	----	313,500	370,900
Southwest Texas			328,900	+ 100	321,700	342,350
Coastal Texas			488,750	+ 1,250	478,600	552,600
Total Texas	1,950,000	‡2,122,696	2,000,800	+ 1,500	1,961,200	2,120,350
North Louisiana			78,700	+ 950	77,550	69,050
Coastal Louisiana			288,850	— 6,450	293,700	289,200
Total Louisiana	365,000	409,214	367,550	— 5,500	371,250	358,250
Arkansas	76,000	77,311	77,311	+ 750	76,600	81,400
Mississippi	48,000		53,600	— 900	54,100	50,150
Alabama	500		800	+ 150	550	300
Florida	----		100	----	100	50
Illinois	206,000		207,450	+ 2,250	204,800	203,650
Indiana	13,000		15,450	+ 1,300	14,050	13,000
Eastern—(Not incl. Ill., Ind., Ky.)	63,200		66,200	+ 2,650	59,950	62,350
Kentucky	28,500		29,800	— 250	29,600	29,650
Michigan	46,000		47,100	+ 1,850	45,450	50,700
Wyoming	90,000		94,700	+ 3,050	91,500	97,900
Montana	21,000		19,500	----	19,900	20,400
Colorado	20,000		28,750	— 1,300	25,050	9,350
New Mexico	98,000	104,000	98,300	----	98,100	103,250
Total East of Calif.	3,668,000		3,748,400	+ 47,050	3,681,350	3,835,150
California	832,000	§824,000	830,000	—16,750	838,650	887,500
Total United States	4,500,000		4,578,400	+ 30,300	4,520,000	4,722,650

*These are Bureau of Mines calculations of the requirements of domestic crude oil (after deductions of condensate and natural gas derivatives) based upon certain premises outlined in its detailed forecast for the month of January. As requirements may be supplied either from stocks or from new production, contemplated withdrawals from crude oil inventories must be deducted from the Bureau's estimated requirements to determine the amount of new crude to be produced. In some areas the weekly estimates do, however, include small but indeterminate amounts of condensate which is mixed with crude oil in the field.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. Jan. 9, 1946.

‡This is the net basic allowable as of Jan. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 1 to 12 days, the entire state was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, KEROSINE, GAS OIL AND DISTILLATE FUEL AND RESIDUAL FUEL OIL, WEEK ENDED JAN. 12, 1946

(Figures in thousands of barrels of 42 gallons each)

Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a Bureau of Mines basis

District—	% Daily Refin'g Capac. Report'g	Crude Runs to Stills Daily Av.	Crude Runs to Stills % Operated	§Gasoline Produc'n at Ref. Inc. Nat. Blended	‡Finish'd and Unfin. Gasoline Stocks	‡Stocks of Kerosine	‡Stks. of Gas Oil & Dist. Fuel Oil	‡Stks. of Resid. Fuel Oil
East Coast	99.5	650	82.2	1,757	20,711	3,621	9,835	5,883
Appalachian—								
District No. 1	76.8	87	59.6	283	2,952	294	527	286
District No. 2	81.2	61	122.0	316	1,168	38	151	155
Ind., Ill., Ky.	87.2	707	82.5	2,593	20,520	1,620	4,927	2,492
Okla., Kan., Mo.	78.3	383	81.7	1,441	9,007	479	1,713	1,017
Inland Texas	59.8	208	63.0	866	2,864	208	365	764
Texas Gulf Coast	89.3	1,155	93.4	3,624	17,344	1,529	5,939	5,397
Louisiana Gulf Coast	96.8	314	120.8	839	5,296	929	1,870	1,163
No. La. & Arkansas	55.9	57	45.2	158	1,969	261	457	260
Rocky Mountain—								
District No. 3	17.1	13	100.0	36	103	20	17	29
District No. 4	72.1	115	72.3	369	1,913	88	411	713
California	86.5	748	77.4	1,959	15,727	554	7,147	22,340
Total U. S. B. of M. basis Jan. 12, 1946	85.7	4,498	83.2	14,246	*99,574	9,641	33,359	40,499
Total U. S. B. of M. basis Jan. 5, 1946	85.7	4,651	86.0	14,483	98,494	10,530	35,199	42,371
U. S. B. of M. basis Jan. 13, 1945		4,580		14,312	†88,464	10,093	35,490	53,763

*Includes 8,082,000 barrels of unfinished gasoline stocks. †Includes 12,864,000 barrels of unfinished gasoline stocks. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 2,101,000 barrels of kerosine, 5,325,000 barrels of gas oil and distillate fuel oil and 8,223,000 barrels of residual fuel oil produced during the week ended Jan. 12, 1946, which compares with 2,201,000 barrels, 5,293,000 barrels and 8,867,000 barrels, respectively, in the preceding week and 1,478,000 barrels, 4,464,000 barrels and 9,296,000 barrels, respectively, in the week ended Jan. 13, 1945.

Trading on New York Exchanges

The Securities and Exchange Commission made public on Jan. 16, 1946, figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended Dec. 29, 1945, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended Dec. 29 (in round-lot transactions) totaled 1,604,404 shares, which amount was 16.51% of the total transactions on the Exchange of 4,859,910 shares. This compares with member trading during the week ended Dec. 22 of 2,436,025 shares, or 15.90% of the total trading of 7,659,410 shares. On the New York Curb Exchange, member trading during the week ended Dec. 29 amounted to 463,310 shares or 11.29% of the total volume on that Exchange of 2,051,500 shares. During the week ended Dec. 22 trading for the account of Curb members of 598,455 shares was 11.29% of the total trading of 2,649,005 shares.

Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 29, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	122,450	
‡Other sales	4,737,460	
Total sales	4,859,910	
B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	504,430	
Short sales	72,990	
‡Other sales	420,910	
Total sales	493,900	10.27
2. Other transactions initiated on the floor—		
Total purchases	94,690	
Short sales	4,200	
‡Other sales	83,520	
Total sales	87,720	1.88
3. Other transactions initiated off the floor—		
Total purchases	166,075	
Short sales	17,240	
‡Other sales	240,349	
Total sales	257,589	4.36
4. Total—		
Total purchases	765,195	
Short sales	94,430	
‡Other sales	744,779	
Total sales	839,209	16.51

Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)

WEEK ENDED DEC. 29, 1945

	Total for Week	†%
A. Total Round-Lot Sales:		
Short sales	16,030	
‡Other sales	2,035,470	
Total sales	2,051,500	
B. Round-Lot Transactions for Account of Members:		
1. Transactions of specialists in stocks in which they are registered—		
Total purchases	147,085	
Short sales	7,240	
‡Other sales	129,555	
Total sales	136,795	6.92
2. Other transactions initiated on the floor—		
Total purchases	28,070	
Short sales	700	
‡Other sales	26,100	
Total sales	26,800	1.34
3. Other transactions initiated off the floor—		
Total purchases	48,770	
Short sales	1,000	
‡Other sales	74,790	
Total sales	75,790	3.03
4. Total—		
Total purchases	223,925	
Short sales	8,940	
‡Other sales	230,445	
Total sales	239,385	11.29
C. Odd-Lot Transactions for Account of Specialists—		
Customers' short sales	0	
§Customers' other sales	74,378	
Total purchases	74,378	
Total sales	72,362	

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

Pres. Hasler Reports Increase in Net Earnings, Resources of Continental Bank & Trust

The Continental Bank & Trust Co. of New York attained new high levels in resources, net earnings and deposits last year, it was disclosed on Jan. 13 in the annual report of Frederick E. Hasler, Chairman and President, which was mailed to stockholders in advance of the annual meeting on Jan. 16. Resources of $218,680,271 and deposits of $204,765,283 at the year-end were both more than 23% higher than at the close of 1944. After payment of $340,000 in dividends to shareholders, the surplus and undivided profits account stood at $6,336,025 compared to $5,789,436 at the previous year-end. Net earnings passed the $2,000,000-mark for the first time in the bank's 75 years history. They totaled $2,113,346 and compared to $1,177,443 for the year 1944, an increase of 79%. Net earnings from current operations increased from $803,013 in 1944 to $886,588, a gain of 10%. Earnings based on present capitalization were $4.22 per share of stock compared to $2.35 for the previous year. Investments of $94,978,370, of which $72,858,181 represented holdings of United States Government obligations, compared to $78,701,819 at the close of 1944. Government holdings increased $11,481,834, and municipal bond holdings $3,296,556.

Commenting on the damage to recovery caused by the wave of labor-management disputes which has swept the country, Mr. Hasler said that the dissension "had focussed attention on Congress whose duty it is to protect the public, workers and business alike."

"Congress must determine whether we shall have two sets of laws—one governing the obligations of the union and the other governing the obligations of individuals and of business— or a single standard of laws with equal responsibilities for all," he continued. "Much will depend on the decision of Congress, and it is the hope of every person who has the welfare of our country at heart that there will be no double standard of law or of enforcement. This is a responsibility which Congress cannot evade. Once assured of a labor-management peace in which the basic interests and rights of both are conserved, the United States should be in a position to forge ahead to new peacetime levels of employment, production and national income."

Mr. Hasler was optimistic as to the outlook for expansion of our foreign trade, provided we take a long-range view and do not treat our advantage as a "temporary windfall." He saw no important competition for American manufacturers in foreign markets for the next three years, except that of Great Britain.

He warned that if the United States hoped to increase its exports substantially on a sound and permanent basis, it must be prepared to import more raw materials and finished goods than heretofore from the countries to which it sells. "Only in this way, by an exchange of goods of approximate monetary value," he said, "can other countries secure the dollars to pay for their purchases from us."

NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Jan. 16, a summary for the week ended Jan. 5 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended Jan. 5, 1946

	Total For Week
Odd-Lot Sales by Dealers—(Customers' purchases)	
Number of orders	24,662
Number of shares	694,556
Dollar Value	$23,735,790
Odd-Lot Purchases by Dealers—(Customers' sales)	
Number of Orders:	
Customers' short sales	48
*Customers' other sales	23,458
Customers' total sales	23,506
Number of Shares:	
Customers' short sales	1,690
*Customers' other sales	626,742
Customers' total sales	628,432
Dollar Value	$26,557,823
Round-Lot Sales by Dealers—	
Number of Shares:	
Short sales	150
†Other sales	137,960
Total sales	138,110
Round-Lot Purchases by Dealers—	
Number of shares	199,730

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

Weekly Coal and Coke Production Statistics

The total production of soft coal in the week ended Jan. 12, 1946, as estimated by the United States Bureau of Mines, amounted to 11,500,000 net tons, an increase of 1,245,000 tons over the output in the holiday week preceding. Production in the corresponding week of 1945 amounted to 12,150,000 tons. For the year to Jan. 12, 1946 soft coal output was estimated at 20,080,000 net tons, a decrease of 11.6% when compared with the 22,725,000 tons produced from Jan. 1 to Jan. 13, 1945.

Production of Pennsylvania anthracite for the week ended Jan. 12, 1946, as estimated by the Bureau of Mines, was 1,060,000 tons, an increase of 324,000 tons (44%) over the preceding week. When compared with the output in the corresponding week of 1945 there was a decrease of 49,000 tons, or 4.4%. For the calendar year to date, anthracite production amounted to 1,657,000 tons, compared with 1,888,000 tons in the corresponding period of 1945.

The Bureau also reported that the estimated production of beehive coke in the United States for the week ended Jan. 12, 1946, showed an increase of 5,800 tons when compared with the output for the week ended Jan 5, 1946, but was 5,000 tons less than for the corresponding week of 1945.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE
(In Net Tons)

	Week Ended			Jan. 1 to Date	
Bituminous coal & lignite—	Jan. 12, 1946	*Jan. 5, 1946	Jan. 13, 1945	†Jan. 12, 1946	Jan. 13, 1945
Total, including mine fuel	11,500,000	10,255,000	12,150,000	20,080,000	22,725,000
Daily average	1,917,000	2,011,000	2,025,000	1,988,000	1,959,000

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

	Week Ended			Calendar Year to Date		
Penn. Anthracite—	‡Jan. 12, 1946	§Jan. 5, 1946	Jan. 13, 1945	Jan. 12, 1946	Jan. 13, 1945	Jan. 16, 1937
*Total incl coll. fuel	1,060,000	736,000	1,109,000	1,657,000	1,888,000	2,277,000
†Commercial produc.	1,018,000	707,000	1,065,000	1,591,000	1,812,000	2,163,000
Beehive coke—						
United States total	95,000	89,200	100,000	158,700	176,600	145,200

*Includes washery and dredge coal and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

	Week Ended		
State—	Jan. 5, 1946	Dec. 29, 1945	Jan. 6, 1945
Alabama	331,000	186,000	360,000
Alaska	6,000	6,000	7,000
Arkansas and Oklahoma	84,000	75,000	95,000
Colorado	122,000	110,000	147,000
Georgia and North Carolina	1,000	*	1,000
Illinois	1,218,000	1,016,000	1,307,000
Indiana	445,000	362,000	525,000
Iowa	42,000	28,000	55,000
Kansas and Missouri	104,000	104,000	160,000
Kentucky—Eastern	945,000	530,000	987,000
Kentucky—Western	398,000	270,000	330,000
Maryland	39,000	27,000	26,000
Michigan	2,000	3,000	2,000
Montana (bitum. & lignite)	104,000	104,000	101,000
New Mexico	26,000	23,000	33,000
North & South Dakota (lignite)	83,000	64,000	53,000
Ohio	615,000	410,000	502,000
Pennsylvania (bituminous)	2,290,000	1,765,000	2,195,000
Tennessee	136,000	83,000	130,000
Texas (bituminous & lignite)	1,000	2,000	4,000
Utah	117,000	81,000	134,000
Virginia	300,000	165,000	378,000
Washington	28,000	29,000	25,000
†West Virginia—Southern	1,715,000	892,000	1,980,000
‡West Virginia—Northern	920,000	618,000	853,000
Wyoming	183,000	147,000	185,000
§Other Western States	*	*	*
Total bituminous & lignite	10,255,000	7,100,000	10,575,000

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

National Fertilizer Association Commodity Price Index Remains Unchanged

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Jan. 21, remained unchanged in the week ended Jan. 19, 1946, at 142.1, the same as in the previous week. A month ago the index stood at 141.8, and a year ago at 139.9, all based on the 1935-1939 average as 100. The Association's report added:

Price changes were mixed during the latest week with 7 price series in the index advancing and 7 declining. The prices for cotton, rye, good cattle, lambs, live poultry flour and potatoes advanced during the week and were just a little more than offset by declining quotations for choice cattle, calves, eggs and wool, with the net result that the farm products, food, and textile groups declined fractionally, but not enough to affect the general index.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

% Each Group Bears to the Total Index	Group	Latest Week Jan. 19, 1946	Preceding Week Jan. 12, 1946	Month Ago Dec. 22, 1945	Year Ago Jan. 20, 1945
25.3	Foods	142.5	143.1	144.2	143.6
	Fats and Oils	146.6	146.6	146.6	144.9
	Cottonseed Oil	163.1	163.1	163.1	161.8
23.0	Farm Products	170.5	170.8	172.3	164.5
	Cotton	232.9	232.6	233.1	206.4
	Grains	169.6	169.3	167.1	159.0
	Livestock	161.7	162.3	165.5	159.6
17.3	Fuels	129.4	129.4	129.0	130.4
10.8	Miscellaneous commodities	133.5	133.5	133.5	133.4
8.2	Textiles	159.0	159.2	159.3	156.0
7.1	Metals	110.2	110.2	110.2	106.4
6.1	Building materials	160.4	160.4	154.7	154.1
1.3	Chemicals and drugs	127.0	127.0	127.5	125.4
.3	Fertilizer materials	118.2	118.2	118.2	118.3
.3	Fertilizers	119.8	119.9	119.9	119.9
.3	Farm machinery	105.2	105.2	105.0	104.8
100.0	All groups combined	142.1	142.1	141.8	139.9

*Indexes on 1926-1928 base were: Jan. 19, 1946, 110.7; Jan. 12, 1946, 110.7; Jan. 20, 1945, 109.0.

Steel Strike Called—Scheduled Operating Rate Lowest in History—Priorities Sought

The greatest shutdown in the history of the steel industry became effective at 12:01 a.m. on Jan. 20 when between 750,000 and 800,000 members of the United Steel Workers of America (CIO) went on strike. This was 24 hours in advance of the deadline set for 12:01 a.m. on Jan. 21.

"Unless the Administration finds some new basis upon which negotiations in the steel labor controversy can be resumed, the current nationwide steel strike, largest in the country's history, will be long and bitter," states "The Iron Age" in its issue of today (Jan. 24), which further adds: "Chances of such a move this week on the part of the Administration seem even less than slim.

"Government advisors are toying with two principal methods of attack. The more immediate one is said to be a liberalized pricing policy. 'The Iron Age' has been told that the 'price situation is open at both ends.' By this it was meant that neither the $2.50 per ton increase on steel products on which Price Administrator Chester Bowles, once firmly stood, nor the $4 increase said to have later been approved by the President is any longer a limiting factor. Reports have been current that a 'bait' of $6 a ton in an attempt to assure acceptance of Mr. Truman's 18.5¢ hourly wage increase has been talked over.

"The only other alternative for the Administration, if it wishes to play a major part in stopping the strike, would be seizure of the steel industry—a move fraught with danger for the Government. Such an action would not necessarily mean the strike would be settled or that the entire problem would not be reopened again at a later date.

"The serious aspect of the current impasse which has caused the steel operating rate this week to reach its lowest point in recorded statistics is that both sides now seem farther away from an agreement than at any time since demands were made and rejected.

That the United States Steel Corp., which is an important part of the solid front presented by the industry, would go any higher than its 15¢ an hour offer, is highly improbable, unless an unusual steel price development comes out of Washington. In other words the current controversy looks this week like a fight to the finish.

"The steel union having once postponed the steel strike and having accepted President Truman's compromise offer after having stood firm on its 19.5¢ an hour demand is in no position at this time to give ground. It will attempt to win its fight by keeping the mills shut down and adopting the same principle as the industry—an appeal to public opinion by radio and press.

"It is probable that in the near future the United States Steel Corp. or another steel producer may cancel its union contract. Such an action would be followed by other steel companies. Steel firms have taken the position that the current strike is a violation of the no-strike pledge contained in present contracts which run out on Oct. 15. The union denies this charge.

"The cancellation of steel contracts would not only increase the bitterness in the present controversy, but would present many more points of differences. If a settlement were to be made on the basis of the present steel contracts, the industry fears that a new strike issue would be raised upon its expiration in October. The wiping out of these contracts would mean a battle on the part of the industry to change present provisions such as maintenance of membership which were based on War Labor Board directives."

Because of the steel strike, the percentage of steel capacity in operation this week, as announced by American Iron and Steel Institute, is believed to have dropped to the lowest rate in the 300-year history of iron and steel in this country. The tonnage scheduled to be produced this week is the lowest in 53 years, or since 1893.

For the week beginning Jan. 21, steel operations were scheduled at only 4.9% of capacity, equivalent to 89,700 tons of ingots and castings. That rate represents a decrease of 71.6 points or 93.6% from the week before when operations were scheduled at 76.5% of capacity, equivalent to 1,401,200 tons. One month ago, the operating rate was 62.8% of capacity and indicated tonnage was 1,150,300 tons. One year ago, operations were at 91.2% of capacity, equivalent to 1,670,300 tons.

The tonnage scheduled to be produced this week according to the Institute, is far shorter than was made in any during the depression of the 1930's and also was well below minimum recorded output during the steel strike of 1919. It was necessary to go back 53 years to 1893, when the average weekly tonnage was 86,352 tons, to find output comparable with that scheduled for this week.

"Steel," of Cleveland, in its summary of the iron and steel markets, on Jan. 21 stated in part as follows: "Growing tightness in steel supply is evidenced by a noticeable increase in requests for priorities assistance, particularly in sheets, including galvanized, electrical and enameling.

"While total assistance being granted at present does not represent sufficient tonnage to interfere with distribution schedules the amount is increasing despite best efforts of Washington and producers to keep it down. In addition to sheets, increasing difficulty is arising in other products, especially in structural shapes, where in some quarters the feeling exists that the industry will have to give serious thought to further expansion in production. Rolling facilities are adequate, but there is need for diverting more steel to this product. At present, shape deliveries fall late in first half, with some important producers entirely out of the market for that period.

"At the same time a large accumulation of building construction is awaiting more stable conditions before going ahead and will require not only heavy sections but light shapes as well. Particularly in view of scarcity of lumber, the proposed housing program, which may involve 400,000 to 500,000 units this year, probably will require a substantial tonnage of standard structurals.

"Up to the present smaller consumers have shared substantially in such priority assistance as has been given and with relatively few exceptions the assistance has been given through CC ratings and in no case has provided for more than 60 days' supply. Shortage in galvanized and electrical sheets is ascribed to especially heavy demand and the fact that production in neither case has returned to prewar levels.

"Deliveries on all these products, where promises actually are being made, run well into the latter part of the year and in the case of some producers, especially of galvanized, schedules are closed for the year.

"Strike in the electrical industry has resulted in no important suspensions, as consumers, as in the case of the automotive strike, apparently are laying plans to take in steel in their own plants or in commercial warehouses for the time being. However, so tight is the situation in light flat-rolled products that some of the producers themselves will bring pressure on electrical equipment manufacturers for permission to divert shipments to others in a position to handle it. Some sheet sellers who are operating on a quarterly quota basis have not yet opened books for second quarter, because of the labor situation and its effects, one of which has been to delay issuance of directives against the program for allocating more than 900,000 tons of various steel products for export during first half, this to take precedence over unrated domestic and other export business.

"In spite of threats to steel production, steel mills have continued to buy scrap wherever it is available, believing, in view of the short supply, the tonnage will be needed when conditions right themselves and production is more stable. Scarcity persists in all grades, especially in heavy melting steel, borings and turnings and cast."

More Freight Cars On Order on Jan. 1

The Class I railroads on Jan. 1, 1946, had 37,160 new freight cars on order, the Association of American Railroads announced on Jan. 21. This included 13,566 plain box, 3,653 automobile box, 4,391 gondolas, 13,997 hoppers (which included 3,201 covered hoppers), 735 refrigerator, and 100 miscellaneous cars. New freight cars on order on Dec. 1, last, totaled 35,908 and on Jan. 1, 1945, amounted to 36,597.

The railroads also had 471 locomotives on order on Jan. 1, this year, which included 92 steam, six electric, and 373 Diesel locomotives. On Jan. 1, 1945, they had 468 locomotives on order which included 66 steam, two electric and 400 Diesel.

The Class I railroads put 38,987 freight cars and 643 locomotives in service in 1945. This was a decrease of 1,405 cars and a decrease of 295 locomotives compared with the number installed in 1944. In 1943 the railroads put in service 28,708 new freight cars and 773 new locomotives.

Of the new freight cars installed in the past calendar year, there were 18,977 plain box, 2,134 automobile, 5,971 gondolas, 8,489 hopper, 1,218 flat 1,860 refrigerator, 239 stock cars, and 99 miscellaneous cars.

The new locomotives installed in 1945 included 109 steam and 534 Diesel, compared with 329 steam, one electric and 608 Diesel in 1944.

Dec. Freight Traffic Off

The volume of freight traffic, handled by Class I railroads in December, 1945, measured in ton-miles of revenue freight, amounted to 42,500,000 ton-miles, according to a preliminary estimate based on reports received from the railroads by the Association of American Railroads. The decrease under December, 1944, was 25.2%.

Revenue ton-miles of service performed by Class I railroads in 1945 was 8.2% under 1944, according to preliminary statistics, and 6.9% less than two years ago. However, compared with 1939, the 1945 total was [illegible]% greater.

The following [illegible] summarizes revenue ton-miles for 1945 and 1944 (000 omitted):

	1945	1944	% Dec.
1st 10 mos.	584,608,52[illegible]	[illegible]265,575	5.7
Mo. of Nov.	*50,000,000	[illegible]554,815	16.1
Mo. of Dec.	†42,500,000	[illegible]554	25.8
Tot. 12 mos.	677,000,000	[illegible]4,944	8.2

*Revised estimate. †Preliminary estimate.

Revenue Freight Car Loadings During Week Ended Jan. 12, 1946 Increased 120,100 Cars

Loading of revenue freight for the week ended Jan. 12, 1946 totaled 772,558 cars the Association of American Railroads announced on Jan. 17. This was a decrease below the corresponding week of 1945 of 10,502 cars, or 1.3%, and a decrease below the same week in 1944 of 6,973 cars or 0.9%.

Loading of revenue freight for the week of Jan. 12, increased 120,101 cars, or 18.4% above the preceding week which included New Year holiday.

Miscellaneous freight loading totaled 358,456 cars, an increase of 62,824 cars above the preceding week, but a decrease of 21,994 cars below the corresponding week in 1945.

Loading of merchandise less than carload lot freight totaled 115,948 cars, an increase of 18,093 cars above the preceding week, and an increase of 15,709 cars above the corresponding week in 1945.

Coal loading amounted to 170,032 cars, an increase of 23,849 cars above the preceding week, but a decrease of 3,818 cars below the corresponding week in 1945.

Grain and grain products loading totaled 54,453 cars, an increase of 10,541 cars above the preceding week and an increase of 7,766 cars above the corresponding week in 1945. In the Western Districts alone, grain and grain products loading for the week of Jan. 12 totaled 36,496 cars, an increase of 7,502 cars above the preceding week and an increase of 4,465 cars above the corresponding week in 1945.

Livestock loading amounted to 18,126 cars, a decrease of 2,678 cars below the preceding week but an increase of 204 cars above the corresponding week in 1945. In the Western Districts alone loading of livestock for the week of Jan. 12 totaled 13,532 cars a decrease of 1,803 cars below the preceding week, but an increase of 413 cars above the corresponding week in 1945

Forest products loading totaled 32,840 cars an increase of 6,750 cars above the preceding week but a decrease of 6,114 cars below the corresponding week in 1945.

Ore loading amounted to 9,720 cars, an increase of 587 cars above the preceding week but a decrease of 1,459 cars below the corresponding week in 1945.

Coke loading amounted to 12,983 cars, an increase of 135 cars above the preceding week, but a decrease of 796 cars below the corresponding week in 1945.

All districts reported decreases compared with the corresponding week in 1945 except the Eastern and Northwestern but all reported increases compared with 1944, except the Allegheny, Pocahontas and Southwestern.

	1946	1945	1944
Week of January 5	652,457	683,398	769,629
Week of January 12	772,558	783,060	779,531
Total	1,425,015	1,466,458	1,549,160

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Jan. 12, 1946. During this period 63 roads reported gains over the week ended Jan. 13, 1945.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED JAN. 12

Railroads	Total Revenue Freight Loaded			Total Loads Received from Connections	
	1946	1945	1944	1946	1945
Eastern District—					
Ann Arbor	372	298	257	1,505	1,459
Bangor & Aroostook	3,270	2,565	2,068	500	536
Boston & Maine	7,601	6,314	6,490	14,042	13,286
Chicago, Indianapolis & Louisville	1,108	1,210	1,346	1,924	2,139
Central Indiana	20	29	26	54	44
Central Vermont	1,180	983	987	2,315	1,652
Delaware & Hudson	4,369	4,434	5,482	11,345	12,552
Delaware, Lackawanna & Western	7,599	7,465	7,340	8,215	10,172
Detroit & Mackinac	235	182	167	179	89
Detroit, Toledo & Ironton	2,265	1,601	2,278	*1,937	1,619
Detroit & Toledo Shore Line	313	367	239	3,353	3,257
Erie	11,796	11,336	11,725	14,983	16,337
Grand Trunk Western	3,140	3,726	3,697	7,948	8,497
Lehigh & Hudson River	147	167	191	2,406	2,929
Lehigh & New England	2,030	1,700	1,797	1,546	1,064
Lehigh Valley	8,395	7,274	8,264	7,600	11,374
Maine Central	3,031	2,257	2,246	5,163	4,146
Monongahela	6,083	5,558	6,322	241	289
Montour	2,574	2,435	2,669	23	15
New York Central Lines	45,114	43,928	46,438	49,009	49,381
N. Y., N. H. & Hartford	11,288	9,497	9,801	14,632	16,651
New York, Ontario & Western	724	803	1,098	1,902	2,487
New York, Chicago & St. Louis	5,906	6,015	6,446	13,080	14,781
N. Y., Susquehanna & Western	471	386	515	2,046	2,078
Pittsburgh & Lake Erie	7,360	7,305	7,643	7,659	7,028
Pere Marquette	4,973	4,800	4,429	6,794	7,430
Pittsburgh & Shawmut	796	726	945	8	10
Pittsburg, Shawmut & North	257	[illegible]	345	253	228
Pittsburgh & West Virginia	869	907	1,056	1,994	2,880
Rutland	387	350	352	1,311	664
Wabash	5,944	6,175	6,197	11,291	12,238
Wheeling & Lake Erie	4,685	5,286	4,518	3,677	4,675
Total	155,302	146,377	153,424	198,935	211,987
Pocahontas District—					
Chesapeake & Ohio	27,805	28,556	29,246	10,436	11,252
Norfolk & Western	21,491	21,607	22,769	6,524	9,609
Virginian	5,254	4,810	4,770	1,480	2,156
Total	54,550	54,973	56,785	18,440	23,017
Allegheny District—					
Akron, Canton & Youngstown	622	790	719	1,209	1,353
Baltimore & Ohio	40,572	39,722	42,031	23,750	26,803
Bessemer & Lake Erie	2,178	2,190	2,915	1,168	1,410
Cambria & Indiana	1,556	1,604	1,869	5	4
Central R. R. of New Jersey	5,905	6,090	6,822	17,241	18,704
Cornwall	423	367	564	52	48
Cumberland & Pennsylvania	213	171	239	16	7
Ligonier Valley	28	91	143	6	44
Long Island	1,590	1,566	1,257	4,308	3,822
Penn-Reading Seashore Lines	1,798	1,780	1,570	1,899	[illegible]
Pennsylvania System	74,327	75,465	75,728	57,089	63,753
Reading Co.	14,738	14,292	14,194	25,793	28,436
Union (Pittsburgh)	17,811	18,682	20,497	3,177	3,232
Western Maryland	4,180	3,925	4,201	11,801	13,420
Total	165,941	166,735	172,749	147,514	163,135
Southern District—					
Alabama, Tennessee & Northern	373	447	242	180	423
Atl. & W. P.—W. R. R. of Ala.	752	797	693	1,838	2,579
Atlanta, Birmingham & Coast	†	†	647	†	†
Atlantic Coast Line	15,007	14,744	12,569	9,679	13,246
Central of Georgia	3,989	3,730	3,516	4,459	5,233
Charleston & Western Carolina	362	420	341	1,380	1,812
Clinchfield	1,512	1,744	1,590	2,847	3,542
Columbus & Greenville	262	324	248	280	305
Durham & Southern	125	108	98	596	807
Florida East Coast	*3,021	3,173	3,084	*1,227	1,470
Gainesville Midland	47	39	42	131	123
Georgia	1,075	1,072	964	2,521	2,621
Georgia & Florida	401	434	333	816	760
Gulf, Mobile & Ohio	4,235	4,396	3,513	3,751	3,834
Illinois Central System	25,423	26,916	28,754	14,663	17,637
Louisville & Nashville	21,948	26,199	24,918	9,826	12,568
Macon, Dublin & Savannah	309	179	137	1,013	818
Mississippi Central	247	317	165	471	466
Nashville, Chattanooga & St. L.	2,690	3,135	3,012	3,914	4,504
Norfolk Southern	1,173	1,000	779	1,484	1,714
Piedmont Northern	418	450	368	1,342	1,276
Richmond, Fred. & Potomac	363	420	369	9,920	10,815
Seaboard Air Line	11,654	10,538	10,026	7,782	8,597
Southern System	23,146	23,642	21,351	21,748	26,133
Tennessee Central	531	743	670	803	725
Winston-Salem Southbound	125	135	129	778	1,176
Total	119,188	125,102	118,558	103,449	123,184
Northwestern District—					
Chicago & North Western	16,396	15,027	15,506	12,907	13,351
Chicago Great Western	3,008	2,585	2,776	2,768	3,558
Chicago, Milw., St. P. & Pac.	22,279	21,572	21,763	9,995	11,032
Chicago, St. Paul, Minn. & Omaha	4,070	3,570	4,300	3,844	3,604
Duluth, Missabe & Iron Range	1,140	1,103	1,356	267	193
Duluth, South Shore & Atlantic	719	651	832	516	503
Elgin, Joliet & Eastern	9,316	8,787	8,893	9,778	12,528
Ft. Dodge, Des Moines & South	447	352	388	166	99
Great Northern	12,165	11,677	12,388	4,038	5,090
Green Bay & Western	528	546	533	949	793
Lake Superior & Ishpeming	289	243	281	70	77
Minneapolis & St. Louis	2,415	2,018	2,407	2,205	2,648
Minn., St. Paul & S. S. M.	5,953	4,644	5,799	3,488	2,719
Northern Pacific	10,284	10,461	10,764	4,604	5,508
Spokane International	121	244	98	385	500
Spokane, Portland & Seattle	1,899	2,409	2,286	2,122	3,513
Total	91,029	85,889	90,370	58,102	65,716
Central Western District—					
Atch., Top. & Santa Fe System	24,560	24,532	21,849	9,258	13,080
Alton	3,353	3,266	3,295	3,108	3,925
Bingham & Garfield	243	424	457	67	82
Chicago, Burlington & Quincy	21,107	19,797	20,537	10,399	11,530
Chicago & Illinois Midland	3,333	3,048	2,935	790	940
Chicago, Rock Island & Pacific	13,910	12,501	11,544	11,214	13,629
Chicago & Eastern Illinois	2,918	2,659	2,652	3,064	5,061
Colorado & Southern	602	758	774	1,805	2,046
Denver & Rio Grande Western	3,389	4,203	3,814	3,835	5,760
Denver & Salt Lake	980	838	923	49	16
Fort Worth & Denver City	923	838	713	1,231	1,206
Illinois Terminal	2,276	2,258	2,106	1,505	1,989
Missouri-Illinois	777	883	970	486	527
Nevada Northern	1,314	1,422	1,707	138	118
North Western Pacific	584	774	712	599	791
Peoria & Pekin Union	4	4	45	0	0
Southern Pacific (Pacific)	26,933	31,005	28,534	9,074	14,035
Toledo, Peoria & Western	0	306	474	0	2,044
Union Pacific System	17,610	18,599	17,443	11,200	15,440
Utah	810	581	690	5	3
Western Pacific	2,058	2,077	1,919	2,879	4,034
Total	127,684	130,773	124,093	70,706	96,256
Southwestern District—					
Burlington-Rock Island	371	342	226	463	610
Gulf Coast Lines	5,221	6,451	5,580	2,485	2,553
International-Great Northern	2,021	2,760	1,273	3,542	3,926
‡K. O. & G., M. V. & O. C.-A.-A.	1,214	1,351	964	1,449	1,608
Kansas City Southern	2,424	4,553	4,660	3,014	2,637
Louisiana & Arkansas	2,172	3,330	2,872	2,246	2,512
Litchfield & Madison	353	307	330	1,138	1,183
Missouri & Arkansas	134	129	153	306	517
Missouri-Kansas-Texas Lines	5,162	6,330	4,831	3,710	5,604
Missouri Pacific	16,155	17,948	15,885	13,462	18,049
Quanah Acme & Pacific	107	63	81	102	369
St. Louis-San Francisco	8,554	9,347	7,791	6,652	8,366
St. Louis-Southwestern	2,310	3,561	2,680	4,641	6,740
Texas & New Orleans	8,682	11,846	11,767	5,196	5,395
Texas & Pacific	3,821	4,766	4,349	5,632	8,203
Wichita Falls & Southern	77	94	92	44	42
Weatherford M. W. & N. W.	86	33	18	14	30
Total	58,864	73,211	63,552	54,096	68,344

*Previous week's figure. †Included in Atlantic Coast Line RR. ‡Includes Midland Valley Ry. and Kansas, Oklahoma & Gulf Ry. only in 1944 and also Oklahoma City-Ada-Atoka Ry. in 1945 and 1946.

NOTE—Previous year's figures revised.

Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

Period	Orders Received Tons	Production Tons	Unfilled Orders Remaining Tons	Percent of Activity Current	Percent of Activity Cumulative
1945—Week Ended					
Oct. 6	193,674	154,147	533,087	95	93
Oct. 13	135,756	160,031	506,935	97	94
Oct. 20	134,324	155,723	489,971	96	94
Oct. 27	140,583	156,551	468,549	98	94
Nov. 3	201,060	156,223	511,022	97	94
Nov. 10	162,023	157,617	509,984	97	94
Nov. 17	123,281	154,122	479,228	95	94
Nov. 24	123,781	147,083	454,926	91	94
Dec. 1	172,297	152,571	472,568	96	94
Dec. 8	173,537	154,235	490,123	97	94
Dec. 15	150,330	157,792	487,481	98	94
Dec. 22	122,229	148,591	451,654	92	94
Dec 29	97,323	78,862	462,446	52	93
1946—Week Ended					
Jan. 5	176,346	111,967	526,891	75	75
Jan. 12	143,366	144,482	523,672	94	85

Notes—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders

Results of Treasury Bill Offering

The Secretary of Treasury announced on Jan 21 that the tenders for $1,300,000,000 or thereabout of 91-day Treasury bills to be dated Jan. 24 and to mature April 25, which were offered on Jan. 18, were opened at the Federal Reserve Banks on Jan. 21.

Total applied for, $2,016,155,000.

Total accepted, $1,316,791,000 (includes $59,905,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905; equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.907, equivalent rate of discount approximately 0.368% per annum.

Low, 99.505; equivalent rate of discount approximately 0.376% per annum.

(61% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Jan. 24 in the amount of $1,310,034,000.

Poland Seeks U. S. Loan; Am. Ambassador Opposes

It has been disclosed that Poland has applied for about $500,000,000 from the Export-Import Bank to finance trade and reconstruction projects. However, bank officials stated on Jan. 10, according to Associated Press Washington advices, that the matter was not in "an active stage of consideration," and was at present simply one of seven pending requests. Meanwhile, on Jan. 8, an Associated Press Warsaw dispatch reported that United States Ambassador Arthur Bliss Lane had advised the Polish Provisional Government that he would oppose granting of any United States funds to Poland "as long as present conditions prevail." The Ambassador was protesting against recent Government measures, including a decree nationalizing all basic industries employing more than 50 persons per shift.

Reference to this was made in our Jan. 10 issue, page 181. Regarding the loan sought by Poland, the Associated Press Warsaw dispatch Jan. 8 said:

"Mr. Lane told the Foreign Ministry that he considered that the 1931 commercial treaty between Poland and the United States had been violated. He said that this treaty permitted free entry and development of commercial enterprises within Poland by American business men.

'Hilary Minc, Poland's Minister of Industry, presented the nationalization decree which the National Council of the Homeland (Parliament) promptly ratified Jan. 4. Minister Minc declared the Government was determined that foreign capital would not control any business enterprise in Poland."

Lumber Movement—Week Ended January 12, 1946

According to the National Lumber Manufacturers Association, lumber shipments of 425 mills reporting to the National Lumber Trade Barometer were 10.9% above production for the week ending Jan. 12, 1946. In the same week new orders of these mills were 27.1% above production. Unfilled order files of the reporting mills amounted to 82% of stocks. For reporting softwood mills, unfilled orders are equivalent to 32 days' production at the current rate, and gross stocks are equivalent to 37 days' production.

For the year-to-date, shipments of reporting identical mills exceeded production by 10.1%; orders by 27.4%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 3.2% above; shipments were 4.7% above; orders were 0.3% above.

Promotions in Official Staff of Federal Reserve Bank of Cleveland

The promotion of five bank officers and the appointment of four new officers and a chief examiner of the Federal Reserve Bank of Cleveland was announced on Jan. 11 by President Ray M. Gidney of the Reserve Bank.

This action approved by the board of directors effective Jan. 10, is attributable in part to the growth during the last four years in

Walter L. Findeisen

Wilbur D. Fulton

James R. Lowe

L. Merle Hostetler

Joseph M. Miller

George R. Ross

nearly every phase of the Reserve Bank's operations, President Gidney said. Officers promoted were: Wilbur D. Fulton, Vice-President. Mr. Fulton had been Assistant Vice-President in charge of the Bank Examination Department, and chief examiner; Martin Morrison, Vice President. Mr. Morrison had been Assistant Vice President in charge of the Fiscal Agency Department; Walter L. Findeisen, Assistant Vice President. Mr. Findeisen had been Assistant Cashier in charge of the Fiscal Accounting and Foreign Funds Control Departments; Paul C. Stetzelberger, Assistant Vice President. Mr. Stetzelberger had been Assistant Cashier in charge of the Personnel Department; Wilbur T. Blair Jr., Secretary. Mr. Blair had been Assistant Secretary.

The new officers are:

James R. Lowe, Assistant Cashier, formerly manager of the Currency and Coin Department; Joseph M. Miller, Assistant Cashier, formerly manager of the Check Collection Department; George R. Ross, Assistant Cashier, formerly manager of the Accounting Department; L. Merle Hostetler, Manager, Research Department, formerly financial economist of the bank.

Promoted to chief examiner was Hugh M. Boyd, formerly an examiner in the Bank Examination Department.

An indication of the growth of the Federal Reserve Bank of Cleveland during the last four years is contained in the announcement that resources of the bank have been increased by 66%, from $2,036,000,000 to $3,385,000,000. Also during this period from December, 1941, to December, 1945:

The number of member banks rose from 673 to 721, including 232 state banks — nearly double the number of state member banks four years ago; the volume of fiscal agency work handled for the Federal Government has increased more than ten-fold; employes have approximately doubled in number; the amount of Federal Reserve notes in circulation in the Fourth [Cleveland] Federal Reserve District rose from $778,000,000 to $2,112,000,000; the average number of checks cleared daily by the bank and its branches at Cincinnati and Pittsburgh increased from 541,000 to 719,000; services in the interest of the financial, industrial and agricultural advancement of the Fourth District have been expanded by the bank's Research Department during recent years and further development in this field is contemplated.

Humphrey to Commerce Post

Henry A. Wallace, Secretary of Commerce, announced on Jan. 17 that the Business Advisory Council for the Department of Commerce has elected G. M. Humphrey, President of the M. A. Hanna Company, Cleveland, Ohio, Chairman for 1946.

The Commerce Department's announcement continued:

Vice chairmen elected were: Gibson Carey, Jr., President, of The Yale and Towne Mfg. Co., New York; Marion B. Folsom, Treasurer, Eastman Kodak Co., Rochester, N. Y.; John L. Collyer, President, The B. F. Goodrich Co., Akron, Ohio; and Harrison Jones, Chairman of the Board, The Coca-Cola Company, Atlanta, Ga. Mr. Humphrey who succeeds Thomas B. McCabe as Chairman of the Council practiced law in Saginaw from 1911 until 1918, becoming General Attorney for the M. A. Hanna Company in 1918 and President in 1929. Mr. Humphrey is a director of subsidiary and affiliated companies of the M. A. Hanna Company, Chairman of the Executive Committee of the National Steel Corp., Vice President Susquehanna Collieries Co., member of the Executive Committee of the National City Bank of Cleveland and of the Industrial Rayon Corporation, and Director of the Phelps Dodge Corporation.

Items About Banks, Trust Companies

(Continued from page 443)

tant Manager, Hough-Crawford branch; M. H. Nelson, Assistant Manager, Euclid - Windermere branch, and Stephen Mullian, transferred as Assistant Manager, Euclid-Ivanhoe branch.

The Farmers and Merchants Bank of Williamsburg, Hamilton County, Ohio, has become a member of the Federal Reserve System, it is announced by President Ray M. Gidney of the Federal Reserve Bank of Cleveland. The Reserve Bank advices also state:

"The Farmers and Merchants Bank was organized in 1944. It was formed from a consolidation of the Farmers and Merchants Bank of Williamsburg, Ohio, and The Peoples Bank of Williamsburg, both of which had been in operation for many years. Officers of the bank are J. B. Cover, President; Joseph A. Dyer, Vice-President; Ora Stockton, Cashier; Margaret Chatterton, Assistant Cashier, and P. Elton Elrod, Secretary. Directors are J. B. Cover, E. L. Dugan, J. A. Dyer, P. Elton Elrod, J. W. Foster, J. C. Fuhr, C. L. Jones, Ecton Myers, A. Ruffner, Otis Walker and N. J. White.

The board of directors of the Old National Bank in Evansville, Evansville, Ind., announce the election of Holly Stover, President of the Chicago & Eastern Illinois Railroad, as director of the bank.

Paul S. Russell was elected President of the Harris Trust and Savings Bank of Chicago on Jan. 9, to succeed Frank R. Elliott, who announced his retirement after 46 years with the bank and its predecessor, N. W. Harris & Co., said the Chicago "Journal of Commerce," which continued:

At the same time, Frank McNair was advanced from Executive Vice-President to Vice-Chairman of the Executive Committe and Mark A. Brown was made Executive Vice-President.

A number of other promotions were announced following the bank's directors' meeting on Jan. 9.

Four new Vice-Presidents elected were George Slight, formerly Cashier; Hardin H. Hawes and Kenneth V. Zwiener, both formerly Assistant Vice-Presidents, and E. J. Altgelt, Jr., New York representative of the bank, formerly an Assistant Vice-President.

M. C. Burkhard, formerly Assistant Vice-President, was elected Cashier. Paul C. Martin, formerly Assistant Cashier, and William O. Heath, Assistant Secretary, both on leave until recently in the armed services, were made Assistant Vice-Presidents.

A. Newell Rumpf, formerly Assistant Cashier, and Paul N. Mitchell and Wendell C. Griffith, formerly Assistant Secretaries, were made Assistant Vice-Presidents.

Henry F. Weiler, E. L. Miestand, Thomas G. Cobb and Bruce Mateer were elected Assistant Cashiers. Henry M. Tibbits, returned from service with the armed forces, was re-elected Assistant Secretary.

In addition, Henry L. Parker, Philip O. Gentry and W. D. Braddock were elected Assistant Secretaries. Fred M. Gillespie was made Sales Manager and William J. Dumper Assistant Manager. Edward Moritz was made Assistant Auditor.

At the annual meeting of the stockholders of The Northern Trust Co. of Chicago held today, Edward Byron Smith, Vice-President, was elected director to fill the vacancy caused by the death, on April 2, 1945, of his uncle, Walter Byron Smith. All other directors were re-elected. The newly elected director is a son of Solomon A. Smith, President, and a grandson of Byron L. Smith, founded of the bank. Mr. Smith returned to the bank last fall following a leave of absence of four years in Government service.

The Belmont National Bank of Chicago will open about March 15 in quarters on the corner of Belmont Avenue and Clark Street, it has been announced, according to the Chicago "Journal of Commerce" of Jan. 7, from which we also quote:

Warren H. Orr, former Associate and Chief Justice of the Illinois Supreme Court, heads the organizing group of the new bank. Capitalization consists of 4,000 common shares of $50 par value which will sell for $75 a share. The additional $25 will be divided equally between surplus and undivided profits.

Net earnings of Manufacturers National Bank of Detroit amounted to $27.28 a share in 1945 as compared with $24.73 a share in 1944. Total net earnings were $1,637,276 in 1945 and $1,483,730 in 1944. The figures were announced Jan. 8 by Charles A. Kanter, President of the bank, at the annual meeting of stockholders. The report for the year 1945 showed total income of $6,762,611. Of this income, $5,796,586 came from loans and securities and $966,025 from other sources. Total expenses of Manufacturers National Bank were $5,125,336. Almost half of these expenses consisted of $696,996, representing interest on time deposits and $1,850,334 paid and reserved for taxes and Federal Deposit Insurance.

The bank ended the year with total deposits of $442,818,348. Demand deposits decreased $94,712,315 and time deposits increased $14,263,690 from the previous year-end. Loans and discounts, including mortgage loans, were $251,577 more on Dec. 31, 1945, than at the end of 1944. The bank reduced its investments by $48,479,507.

The year-end investment account stood at $317,085,085, with securities being valued at cost price, less amortization. Present market values are higher. The investment account contained Government bonds, notes and certificates of indebtedness carried at $315,290,626. The average maturity of the portfolio is approximately four years. 46% of all securities will mature in less than one year, 9% in from one to five years and 45% in more than five years. The bank's invested capital accounts increased $1,277,276 in 1945 and were $13,076,060 on Dec. 31. Stockholders approved a proposal to increase the common stock of the bank from $3,000,000 to $4,000,000 by issuance of a stock dividend of $1,000,000. The dividend would be effected by transfer of $1,000,000 from undivided profits. If the Comptroller of the Currency approves the plan, 20,000 new shares of stock will be divided among stockholders at the ratio of one new share to three present shares. Stockholders re-elected all members of the board of directors. The board then met, re-elected all officers and elected William C. Maynard, of the Highland Park office, an Assistant Cashier.

Wiley R. Reynolds, President of the First National Bank in Palm Beach, Fla., purchased controlling interest in the First National Bank in Ft. Lauderdale with deposits of over $12,000,000, it was announced on Jan. 19. Four new directors were added to the board at the stockholders' meeting; Wiley R. Reynolds, Bert C. Teed, Wiley R. Reynolds, Jr., of Palm Beach, and Arthur H. Ogle, a long-time resident of Ft. Lauderdale. Mr. Reynolds, after being elected Chairman of the board at the directors' meeting, announced an increase in the capital by the sale of 10,000 additional shares at $20 per share. This will add $100,000 to the capital, making it $200,000 and $100,000 to the surplus account, making it $252,500 for total in capital funds, including reserves of over $500,000. Each stockholder will have the privilege of buying one new share for each share of old stock. It was also said that the bank will construct a new building on land already purchased just as soon as heavy construction again becomes possible. Deposits in the four Reynolds' banks on the lower East Coast total over $114,000,000 as follows: $52,000,000 in the First National Bank in Palm Beach, $10,000,000 in the First National Bank in Lake Worth, $40,000,000 in the American National Bank in Miami and $12,000,00 in the First National Bank in Ft. Lauderdale. W. W. McEachern will remain as President of the bank as well as all other officers, employes and directors, Mr. Reynolds said. Mr. McEachern is State Chairman of the Florida War Finance Committee and past President of the Florida Bankers' Association.

The board of directors of The Republic National Bank of Dallas, Tex., announced on Jan. 10 the election of Col. James W. Aston, formerly City Manager of Dallas, to the office of Vice-President.

Total resources of Barclays Bank Limited as of Dec. 31, 1945, are reported at £1,049,737,849, representing an all-time high in the history of the institution and the first time that it has exceeded one billion pounds, according to cable advices received by the New York representative of the bank at 120 Broadway, New York City. Deposits have also reached a record figure, namely, £1,007,951,468, representing an increase of 90,000,000 pounds compared with a year ago. Investments are shown at £229,440,878, of which £215,615,783 are securities of or guaranteed by the British Government. Advances to customers have increased by approximately 10,000,000 pounds and are reported at £168,523,812. It is reported that a noticeable change is that in bills discounted, which have increased from £30,665,202 to £95,508,899 indicating increased use by British commerce and industries of the bank's facilities. Other asset figures are given as:—

Cash in hand with the Bank of England, £111,690,130; balances with other banks and checks in course of collection, £37,528,120; money at call and short notice, £41,954,200.

Barclays Bank Limited, one of "The Big Five" English Banks, recently declared dividends at the rates of 10% on the "A" stock and 14% on the "B" and "C" stock, which rates are identical with those paid for many years past.

Bank Executives to Assist Red Cross Drive

Five executives of New York banks are among the nearly two score businessmen whose services have been loaned by their firms to the Manhattan Commerce and Industry Committee of the Red Cross 1946 Fund. They will assist in administrative work during this year's campaign and all the men are devoting their full time to their present duties, which will continue until the close of the drive, March 30. Richard G. Macgill of the Bankers Trust Company, New York is serving as assistant to James Bruce, Vice-President, of the National Dairy Products Corporation and Chairman of the Red Cross Commerce and Industry Committee. Others are James V. Bohen, City Bank Farmers' Trust Company; Ludevit Cerven, Guaranty Trust Company; Gerald West, branch manager, Public National Bank and Trust Company, and A. Raymond Kutz, of the New Business Department Manufacturers Trust Company.